

# VAT Strategic Statement, 2013-2018

<p><b>Statement of Responsibility</b></p> <p>The National Board of Revenue (NBR) has taken a number of reform initiatives for creating a self-compliance tax environment in Bangladesh.</p> <p>This strategic statement sets out our vision for the future. It also ways out the path of achieving the vision. It is an ambitious statement that describes our value, identifies areas to reshape for creating self-compliant environment, identifies outcomes, sets compliance strategy and triggers performance measurement indicators.</p>	<p><b>Vision</b></p> <p>We will uphold the integrity of our tax system by providing unparalleled professional service to earn and preserve public trust and collect the revenue to help build our Nation</p>		
	<p><b>Mission and Values</b></p> <p>We will make major changes to the way we work to make it easy for taxpayers who want to comply and so we can deal firmly and fairly with those who don't</p> <ul style="list-style-type: none"> <li>Our leaders will provide strong direction and change leadership</li> <li>We will introduce new technology to establish an efficient, taxpayer friendly VAT administration.</li> <li>We will restructure our organizational arrangements to make it more transparent, efficient, effective and taxpayer-friendly.</li> <li>We will create level playing field for all businesses</li> <li>We will aim for taxpayer voluntary compliance</li> <li>We will use self-assessment and risk based approaches to encourage voluntary compliance</li> <li>We are consultative, collaborative and willing to co-design</li> </ul>		
	<p><b>Strategic Objectives</b></p> <ul style="list-style-type: none"> <li>To optimize self-compliance by increasing regular filers, and by reducing stop-filers and non-filers</li> <li>To achieve VAT-to-GDP ratio of 4.6 percentage points</li> <li>To reduce tax gap</li> <li>To reduce cost of doing business by providing transparent, efficient, effective, and quick taxpayers services</li> <li>To reduce tax disputes significantly</li> <li>To increase arrear collection</li> <li>To increase issuance of refund</li> <li>To establish effective VAT chain by eliminating sporadic exemptions and multiple reduced rates</li> <li>To establish scientific revenue accounting and reporting system</li> <li>To create efficient and dedicated human capital for satisfactory service by providing proper learning and incentives.</li> </ul>		
	<p><b>Strategic Areas of Focus</b></p> <p><b>Providing change leadership</b></p> <ul style="list-style-type: none"> <li>We will take our people on the change journey, through open communication and providing clear line of sight</li> <li>We will consult, listen and collaborate with staff and taxpayers about the changes</li> <li>We will ensure we have the capability and levels of change readiness that will be needed</li> </ul> <p><b>Introducing technology</b></p> <ul style="list-style-type: none"> <li>We will use technology to make it easy for taxpayer to comply and be taxpayer friendly</li> </ul>	<p><b>Actions to be taken</b></p> <ul style="list-style-type: none"> <li>Build strategic change capability and change readiness</li> <li>Take an integrated approach to managing change across the organization</li> <li>Prepare our people for change and help them build resilience</li> <li>Work with taxpayers to ensure they are ready for the change and have sufficient support from us</li> <li>Ensure our people are supported and treated with respect in times of change</li> </ul> <ul style="list-style-type: none"> <li>Identify and procure the appropriate technology for use in Bangladesh</li> <li>Obtain support and assistance to help procure and install</li> </ul>	

<p>All activities of new VAT administration will run following this strategic statement. All change programmes will follow this strategic statement.</p> <p>NBR VAT system provides significant amount of money to public funds.</p> <p>NBR has taken initiatives to make it's services efficient and effective to yield higher productivity.</p>	<ul style="list-style-type: none"> <li>▪ We will use technology to assist in identifying and taking action against taxpayers who don't comply to encourage voluntary compliance</li> </ul>	<p>the appropriate technology</p> <ul style="list-style-type: none"> <li>▪ Develop our capability to manage and use technology within NBR</li> </ul>	
	<p><b>Taking a risk management approach to compliance</b></p> <ul style="list-style-type: none"> <li>▪ We will identify and understand our major tax compliance risks</li> <li>▪ We will use a risk based approach to develop appropriate compliance strategies</li> <li>▪ We will allocate our staff resources based on our understanding of our highest compliance risks</li> </ul>		<ul style="list-style-type: none"> <li>▪ Develop an understanding of risk management among our leaders and staff</li> </ul>
	<p><b>Enabling High Performance</b></p> <ul style="list-style-type: none"> <li>▪ We will ensure we are agile and result focused</li> <li>▪ We will create dedicated and productive workforce, where everyone knows what is expected of them and has the opportunity to do their best every day</li> </ul>		<ul style="list-style-type: none"> <li>▪ Develop and implement a high performance culture, ie. <ul style="list-style-type: none"> <li>➤ Take a strategic approach to engagement</li> <li>➤ Recognize and reward high performance</li> <li>➤ Take corrective and improvement measures for poor performance</li> <li>➤ Focus on innovation and continuous improvement</li> </ul> </li> </ul>
	<p><b>Managing workforce costs</b></p> <ul style="list-style-type: none"> <li>▪ We will ensure a balance between affordability and delivering on the above strategic areas of focus</li> </ul>		<ul style="list-style-type: none"> <li>▪ Ensure remuneration cost pressures are managed and broader opportunities for workforce efficiency savings are taken</li> <li>▪ Develop approaches to mitigate challenges that will arise from reducing baselines</li> </ul>

<p>This statement sets out NBR's plan for helping the Government to meet its economic and social objectives.</p>	<p><b>Approach</b></p>										<p><b>We encourage self-compliance:</b></p> <ul style="list-style-type: none"> <li>▪ We create culture of self-compliance</li> <li>▪ We encourage active participation of taxpayers in tax activities</li> <li>▪ We make difficult to do business for non-compliant</li> <li>▪ We help taxpayers to learn how to comply</li> <li>▪ We are consultative, collaborative and willing to co-design</li> </ul>																																																						
	<p><b>Indicators to measure performance</b></p> <table border="1"> <tr> <td>Registrants</td> <td>Regular filers</td> <td>Stop-filers and non-filers</td> <td>Tax-GDP</td> <td>Tax gap</td> <td>Cost of Doing Business</td> <td>Timeliness</td> <td>Disposal of objection</td> <td>Issue of refund</td> <td>Number of litigation</td> <td>Amount of arrear collection</td> <td>Exemption</td> <td>Staff Incentives</td> </tr> <tr> <td colspan="13" style="text-align: center;">Quantitative Indicators</td> </tr> <tr> <td colspan="2">Taxpayer satisfaction</td> <td colspan="2">Staff Satisfaction</td> <td colspan="2">Quality of assistance</td> <td colspan="2">Public Perception</td> <td colspan="2">Perception regarding degree of corruption</td> <td colspan="3">Department morale and self-image</td> </tr> <tr> <td colspan="13" style="text-align: center;">Qualitative Indicators</td> </tr> </table>													Registrants	Regular filers	Stop-filers and non-filers	Tax-GDP	Tax gap	Cost of Doing Business	Timeliness	Disposal of objection	Issue of refund	Number of litigation	Amount of arrear collection	Exemption	Staff Incentives	Quantitative Indicators													Taxpayer satisfaction		Staff Satisfaction		Quality of assistance		Public Perception		Perception regarding degree of corruption		Department morale and self-image			Qualitative Indicators												
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## New VAT Administration Performance Measurement

Objectives	Weight	Actions	Success Indicator	Unit	Weight	Excellent	Very Good	Good	Fair	Poor
[1] To optimize self-compliance by increasing regular filers, and by reducing stop-filers and non-filers	15	[1.1] Motivate taxpayers to file regularly	[1.1.1] Percentage of regular filers of total registrants <sup>1</sup>	%	6	>80%	>70-80%	>60-70%	50-60%	<50%
		[1.2] Identify stop-filers and help them to file regularly	[1.2.1] Percentage of stop-filers of total registrants	%	2	<10%	>10-20%	>20-30%	>30-40%	>40%
		[1.3] Identify non-filers and help them to comply	[1.3.1] Percentage of non-filers of total registrants	%	2	<10%	>10-20%	>20-30%	>30-40%	>40%
		[1.4] Processing of returns	[1.4.1] Percentage of Online submission of total filers	%	2	>70%	>60-70%	>50-60%	40-50%	<40%
			[1.4.2] Rectification of error and identification of incomplete return	No	3	>70%	>60-70%	>50-60%	40-50%	<40%
[2] To achieve VAT-to-GDP ratio of 4.6 <sup>2</sup> percentage points	15	[2.1] Achieve set targets of revenue	[2.1.1] Achieve target of VAT	%	15	>80%	>70-80%	>60-70%	50-60%	<50%
[3] To reduce tax gap	10	[3.1] Reduce the gap between VAT collected and VAT legally owed	[3.1.1] Achieve set targets of reduction of tax gap	%	10	>80%	>70-80%	>60-70%	50-60%	<50%

<sup>1</sup> Total number of regular filers are 35000(rounded figure). This could be used as the base of performance measurement. Ref: Notun Mushak : Aasha-Nirashar Dola (New VAT: Pendulum of Hope and despair), Published in Mushak.com by Chittagong VAT Commissionerate on 16 July 2013.

<sup>2</sup> EOGP Result: Tax Program – Draft Technical Assessment, p32, Table 6. Present VAT-to-GDP ratio is 3.7%.

Objectives	Weight	Actions	Success Indicator	Unit	Weight	Excellent	Very Good	Good	Fair	Poor		
[4] To reduce cost of doing business by provide transparent, efficient and effective, and timely services	7	[4.1]	Reduce registration time from 3 <sup>1</sup> days to 1 day	[4.1.1]	Reduce registration time from 3 days to 1 day	%	1	>80%	>70-80%	>60-70%	50-60%	<50%
		[4.2]	Reduction of compliance cost <sup>2</sup>	[4.2.1]	Reduction of compliance cost for small firms by 65%	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
				[4.2.2]	Reduction of compliance cost for medium firms by 55%	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
				[4.2.3]	Reduction of compliance cost for large firms by 50%	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
[5] To reduce tax disputes significantly	8	[5.1]	Reduction of tax dispute <sup>3</sup> by 40%	[5.1.1]	Reduction of tax dispute by 40%	%	8	>80%	>70-80%	>60-70%	50-60%	<50%
[6] To increase arrear collection	6	[6.1]	Collection of arrear under VATA1991	[6.1.1]	Collection of present arrear incurred <sup>4</sup> under VATA1991 by 40%	%	6	>80%	>70-80%	>60-70%	50-60%	<50%
[7] To increase issuance of refund	6	[7.1]	Issue refund/credit of balance of Account Current under VATA1991	[7.1.1]	Make the balance <sup>5</sup> Zero of present Account Current under VATA1991	Qty	3	>80%	>70-80%	>60-70%	50-60%	<50%
		[7.2]	Issue refund under VATA2012	[7.2.1]	Dispose of refund application within the	%	3	>80%	>70-80%	>60-70%	50-60%	<50%

<sup>1</sup> Doing Business 2014, 11<sup>th</sup> Edition, Economy Profile: Bangladesh, Page 21.

<sup>2</sup> Base value to be used from Bangladesh Survey Report on Tax Perception & Compliance Cost of the formal sector and perception of taxation by the informal sector, April 2013, IFC. Average annual compliance costs are Tk. 96,277.17, Tk. 33,350.40 and Tk. 12,856.49 for Large, Medium and Small business respectively. Page 9, Table 1.

<sup>3</sup> VAT Disputes of 2014 to be used as Base value for calculation.

<sup>4</sup> Total arrear for all Commissionerates upto November, 2013 was 11,736.43 crore taka. (Source: Arrear Collection Branch, NBR).

<sup>5</sup> The present account current balance is: Tk.1,721 crore for all VAT Commissionerates. Data has been collected from VAT Commissionerates for this purpose.

Objectives	Weight	Actions	Success Indicator	Unit	Weight	Excellent	Very Good	Good	Fair	Poor
						specified time				
[8] To establish effective VAT chain by eliminating wide range of exemptions and multiple reduced rates	10	[8.1] Eliminate exemptions which break VAT Chain and considered to be unnecessary	[8.1.1] Eliminate exemptions which break VAT Chain	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
			[8.1.2] Eliminate those exemptions considered as unnecessary	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
		[8.2] Eliminate all truncated base values	[8.2.1] Eliminate all truncated base value	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
		[8.3] Eliminate all tariff values	[8.3.1] Eliminate all tariff value	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
		[8.4] Eliminate all package VAT	[8.4.1] Eliminate all package VAT	%	2	>80%	>70-80%	>60-70%	50-60%	<50%
[9] To introduce scientific revenue accounting, reporting and forecasting system	8	[9.1] Maintenance of Revenue Accounting	[9.1.1] Maintenance of Revenue Accounting	q/t	3	>80%	>70-80%	>60-70%	50-60%	<50%
		[9.2] Establishing standard and multi-usable reporting system	[9.2.1] Establishing standard and multi-usable reporting system	q/t	2	>80%	>70-80%	>60-70%	50-60%	<50%
		[9.3] Establishing standard and scientific forecasting system	[9.3.1] Establishing standard and scientific forecasting system	q/t	3	>80%	>70-80%	>60-70%	50-60%	<50%
[10] To create efficient and dedicated human capital for satisfactory service by providing proper learning and incentives.	15	[10.1] Training	[10.1.1] IT Training	qty	1	>80%	>70-80%	>60-70%	50-60%	<50%
			[10.1.2] Law Training	qty	2	>80%	>70-80%	>60-70%	50-60%	<50%
			[10.1.3] Other training	qty	1	>80%	>70-80%	>60-70%	50-60%	<50%
		[10.2] Incentives	[10.2.1] Performance Allowance	qty	1	>80%	>70-80%	>60-70%	50-60%	<50%
			[10.2.2] Reward	qty	1	>80%	>70-80%	>60-70%	50-60%	<50%
			[10.2.3] Pay	qty	2	>80%	>70-80%	>60-70%	50-60%	<50%
			[10.2.4] Promotion	qty	2	>80%	>70-80%	>60-70%	50-60%	<50%