



**National Board of Revenue, Bangladesh**  
জাতীয় রাজস্ব বোর্ড, বাংলাদেশ

## **Medium- and Long-Term Revenue Strategy**

**FY2025-26 to FY2034-35**

**National Board of Revenue**  
**Internal Resources Division, Ministry of Finance**  
**Government of the People's Republic of Bangladesh**  
**April 2025**

## ACKNOWLEDGEMENTS

The preparation of the *Medium and Long-Term Revenue Strategy (MLTRS) Paper* is a key initiative under Component 2 of the PFM Reform Action Plan 2024–2028 (Activity 3, C-2: Domestic Resource Mobilization (DRM) – National Board of Revenue (NBR) of Finance Division, Ministry of Finance, Government of the People’s Republic of Bangladesh. This landmark strategy paper, developed by a dedicated core group of NBR officials, primarily aims to enhance revenue collection and improve the tax-to-GDP ratio, marking a pivotal step forward towards building a modern and efficient revenue administration.

This initiative was guided by the Program Implementation Team (PIT) of NBR; formed two committees comprising selected officials from both the Direct Tax and Indirect Tax Wings to steer the process. The MLTRS committee expresses its sincere gratitude to Mr. Md. Abdur Rahman Khan FCMA, Secretary, Internal Resources Division and Chairman, National Board of Revenue, for entrusting the MLTRS team with this vital task. His guidance, support, and encouragement throughout the MLTRS formulation were invaluable. The team also expresses its gratitude to Members and other senior officials of NBR for their valuable inputs and guidance.

The team also acknowledges the invaluable feedback from contributions of development partners viz. World Bank, The European Union Delegation to Bangladesh, International Monetary Fund (IMF), Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), US Department of Agriculture (USDA), United States Agency for International Development), trade and professional bodies (Institute of Cost and Management Accountants of Bangladesh (ICMAB), Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), Bangladesh Garment Manufacturers and Exporters Association (BGMEA), Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), Bangladesh Textile Mills Association (BTMA), Bangladesh Association of Software & Information Services (BASIS)), and research organizations – (South Asian Network on Economic Modelling (SANEM), Business Initiative Leading Development (BUILD), Policy Research Institute of Bangladesh (PRI), Economic Reporters Forum (ERF). The team also duly acknowledges the critical inputs provided by individual consultants - Md Rabiul Islam Rabi, former Research Economist (RAPID) and late Jack Lovell (Kivu International, UK), special thanks go to the teams from the World Bank and IMF for their critical inputs and timely feedback on the final draft.

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## Abbreviations and Acronyms

ADB	Asian Development Bank
ADR	Alternative Dispute Resolution
APA	Annual Performance Agreement
API	Application Programming Interface
B2C	Business to Consumer
BB	Bangladesh Bank
BBS	Bangladesh Bureau of Statistics
BEPS	Base Erosion and Profit Shifting
BIDS	Bangladesh Institute of Development Studies
BRTA	Bangladesh Road Transport Authority
CHRMP	Comprehensive Human Resource Management Policy
CIC	Central Intelligence Cell
CIT	Corporate Income Tax
CLPIA	Certificate/License/Permit Issuing Agencies
CPD	Centre for Policy Dialogue
CRMU	Compliance Risk Management Unit
CSO	Civil Society Organizations
DoE	Department of Environment
DPP	Development Project Proposal
DRM	Domestic Revenue Mobilization
DRMS	Domestic Revenue Mobilization System
DTAAs	Double Tax Avoidance Agreements
ERD	Economic Relations Division
EU	European Union
FATF	Financial Action Task Force
FCDO	Foreign, Commonwealth and Development Office
FDI	Foreign Direct Investment
FGD	Focused Group Discussion
FID	Financial Institutions Division
FY	Fiscal Year
FYP	Five-Year Plan
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GOB	Government of Bangladesh
HIC	High Income Country
HNWIs	High-Net-Worth Individuals
IBFD	International Bureau of Fiscal Documentation
ICTD	Information Communications Technology for Development
IDRA	Insurance Development and Regulatory Authority
IMF	International Monetary Fund

INFF	Integrated National Financing Framework
IPF	Institute of Public Finance
IPR	Intellectual Property Rights
IRD	Internal Resources Division
ISC	Implementation Support Consultant
IST	Institute of Science and Technology
IVAS	Integrated VAT Administration System
KII	Key Informant Interview
LDC	Least Developed Countries
LTU	Large Taxpayers Unit
MDAs	Ministries Departments and Agencies
MIC	Middle Income Country
MLTRS	Medium- and Long-Term Revenue Strategy
MOE	Ministry of Education
MOEF	Ministry of Environment and Forest
MoF	Ministry of Finance
MOFA	Ministry of Foreign Affairs
MoI	Means of Implementation
MOPA	Ministry of Public Administration
MOU	Memorandum of Understanding
MTRS	Medium-Term Revenue Strategy
NBFI	Non-Bank Financial Institutions
NBR	National Board of Revenue
NID	National Identification Number
NPL	Non-Performing Loan
NTMC	National Telecommunication Monitoring Centre
OECD	Organization for Economic Cooperation and Development
OSCE	Organization for Security and Co-operation in Europe
PCT	Platform for Collaboration on Tax
PE	Permanent Establishment
PECT	Program Execution and Coordination Team
PFM	Public Financial Management
PIT	Personal Income Tax
PIT	Program Implementation Team
PMO	Project Management Office
PMU	Project Management Unit
PSR	Proof of Submission of Return
R&D	Research and Development
RMG	Readymade Garments
SAARC	South Asian Association for Regional Cooperation
SC	Steering Committee
SDGs	Sustainable Development Goals
SMEs	Small and Medium Enterprises



SMS	Short Message Service
SRO	Statutory Regulatory Order
TDS	Tax Deducted at Source
TIEA	Tax Information Exchange Agreement
TIN	Tax Identification Number
ToT	Training of the Trainer
TSR	Tax System Reform
UMIC	Upper Middle-Income Country
UN	United Nations
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNU-WIDER	The United Nations University-World Institute for Development Economics Research
VAT	Value-Added Tax
WB	World Bank

## Executive Summary

1. Bangladesh is set to graduate from the group of least developed countries (LDCs) by 2026 and aspires to achieve sustainable development goals (SDGs) by 2030. To ensure a smooth and sustainable LDC graduation and attain SDGs, Bangladesh needs a concerted effort to boost domestic resource mobilization (DRM) which can reduce reliance on domestic and external borrowing, alleviate debt burdens, and support inclusive growth. However, with a low tax-GDP ratio hovering around 7-8% over the past several years, DRM reforms have proven to be a daunting task due to challenges such as tax evasion, tax avoidance culture, and weak revenue management. Recent progress on automation and modernization initiatives of NBR must be sustained and a coordinated approach to undertaking DRM reforms is now more important than ever. It is in this context, this medium to long term revenue strategy (MLTRS), spanning from FY2025-26 to FY2034-35, will play a critical role in advancing DRM efforts of Bangladesh.
2. In this strategy paper, the medium term is defined as the period from FY2025-26 to FY2029-30 and the long term from FY2030-31 to FY2034-35. The MLTRS, with a major emphasis on digitalization, pursues the following six goals:
  - Goal 1: End-To-End Automation of NBR'S Business Processes**
  - Goal 2: Increase tax-to-GDP ratio to 10.5% by FY2034-35**
  - Goal 3: Improve Voluntary Compliance**
  - Goal 4: Close the Gap Between Actual and Potential Tax Revenues**
  - Goal 5: Ensure Uniformity of Practice and Enforcement of Law**
  - Goal 6: Improve Integrity and Transparency**
3. These goals are institutional objectives that will be pursued through the MLTRS, along with other policies and actions implemented by NBR in the regular course of business. The aforementioned goals serve as unifying principles, reflecting the institution's commitment to implementing the MLTRS as a key element of its overall strategy. There are four pillars supporting each of the goals:
  - Pillar 1: Develop an Effective Policy and Legal Environment**
  - Pillar 2: Modernize NBR Administration**
  - Pillar 3: Build and Develop Human Capacity**
  - Pillar 4: Enhance Taxpayer Services and Voluntary Compliance**
4. To implement this MLTRS, 60 actions have been identified across the four pillars with implementing agencies and specific timeline, culminating in an action plan. Essentially, long-term actions serve as placeholders, highlighting the ongoing nature of reform for NBR now and into the future. Most actions are cross-cutting, affecting the three functional wings of NBR: Income Tax, Customs, and VAT.
5. The achievement of the MLTRS's goals relies on a robust implementation arrangement to be overseen by the MLTRS Steering Committee (SC) chaired by the Chairman, NBR, the MLTRS Secretariat led by the Director General, Research and Statistics Wing, and Implementation Support Teams (IST) led by officials from the Customs, VAT, and Income

Tax wings. An Advisory Committee comprising public and private stakeholders will be formed to support the SC and MLTRS Secretariat.

6. Continuous evaluation and periodic updates will ensure the MLTRS remains responsive to changing circumstances and evolving tax reform priorities. Annual performance assessments will gauge progress, effectiveness, and sustainability, guiding adjustments to optimize outcomes and drive meaningful reforms in revenue mobilization.
7. The MLTRS represents an integrated and dynamic approach to DRM, laying a solid foundation for sustainable revenue growth and advancing Bangladesh's socio-economic development agenda in line with its aspirations for the future.

## Chapter 1: Introduction

- 1.1 NBR, the primary revenue-sourcing agency of Bangladesh, has been playing a pivotal role in generating revenues to support the country's development initiatives and advancing economic growth. In fiscal year FY2023-24, NBR was the largest source of government revenue, accounting for about 97% of the total tax revenue and 85% of the total revenue.
- 1.2 With the LDC graduation in 2026 and aspiration to achieve SDGs by 2030, the country aims to enhance its tax policy and administration systems, improve revenue mobilization, and promote equitable taxation. By focusing on tax policy and administration reforms and adopting innovative financing frameworks such as the Integrated National Financing Framework (INFF), Bangladesh is paving the way for sustainable economic growth and development.
- 1.3 The tax administration reforms in Bangladesh aim to enhance efficiency, transparency, and accountability in revenue collection. These reforms include expanding the tax base, simplifying the tax system, modernizing tax infrastructure, enhancing voluntary compliance among taxpayers, and implementing structural changes. There is a necessity of providing sufficient resources, autonomy, and modernization capabilities to NBR.
- 1.4 Aligned with Bangladesh's broader goals of sustainable development, the MLTRS will play a crucial role in enhancing domestic revenue mobilization in the country. The MLTRS is aligned with the Public Financial Management Reform Strategy Action Plan (2024-2028). NBR has actively garnered support for the MLTRS through a thorough stakeholder consultation process, reforms mapping, and technical analyses towards ensuring enhanced revenue mobilization to meet the needs for physical infrastructure, human capital, and public service delivery, which are essential for national development.
- 1.5 The MLTRS is the culmination of two distinct documents developed by the Customs and VAT Wing and the Income Tax Wing. These documents were meticulously crafted to address the specific challenges and opportunities within their respective domains. The combined MLTRS has integrated the conclusions and recommendations from these two separate documents, creating a cohesive and comprehensive strategy. This integration ensures a harmonized approach to revenue mobilization, leveraging the strengths and insights from both wings to enhance the overall effectiveness and efficiency of the tax administration system in Bangladesh. By bringing together these diverse perspectives, the MLTRS creates a robust framework that supports sustainable economic growth and development.
- 1.6 Bangladesh recognizes the importance of the INFF in achieving its development vision. By adopting the INFF, the country aims to align its financing policies with the 2030 agenda of the Sustainable Development Goals (SDGs), promoting coherence, transparency, and accountability in mobilizing both public and private resources.

1.7 Bangladesh's commitment to sustainable development underscores its determination to foster economic growth, alleviate poverty, and promote equitable development. The MLTRS will serve as a strategic roadmap to support the country's vision by enhancing revenue mobilization and establishing an enabling environment for sustainable financing. With comprehensive reforms and innovative frameworks in place, Bangladesh is poised to make significant strides in its pursuit of a prosperous and sustainable future for its citizens.

1.8 The MLTRS will enhance the implementation of policy and administrative reforms within NBR. The MLTRS incorporates several key actions, including:

- Ensuring harmonization and taxpayer data sharing across various wings of NBR
- Developing and implementing an internal audit manual
- Promoting awareness among all stakeholders of existing legislation
- Organizing peer-to-peer learning
- Strengthening NBR staff capacity in tax administration
- Introducing registration and filing of online VAT returns
- Improving the online payment system for VAT, income tax, and customs, with an interface to iBAS++
- Building taxpayer awareness of the new VAT system to promote voluntary compliance
- Introducing new arrangements (legal, institutional, procedural, and others) for strengthening the withholding of VAT and income tax

1.9 The MLTRS is not merely a fiscal tool but a transformative framework designed to support the nation's development aspirations. By modernizing the tax system, enhancing compliance, and improving revenue collection, the MLTRS aims to generate the resources necessary to fund critical public services, infrastructure, and social programs. The additional revenue delivered by the MLTRS will be strategically invested to achieve the following non-fiscal goals, as outlined in the national development plans:

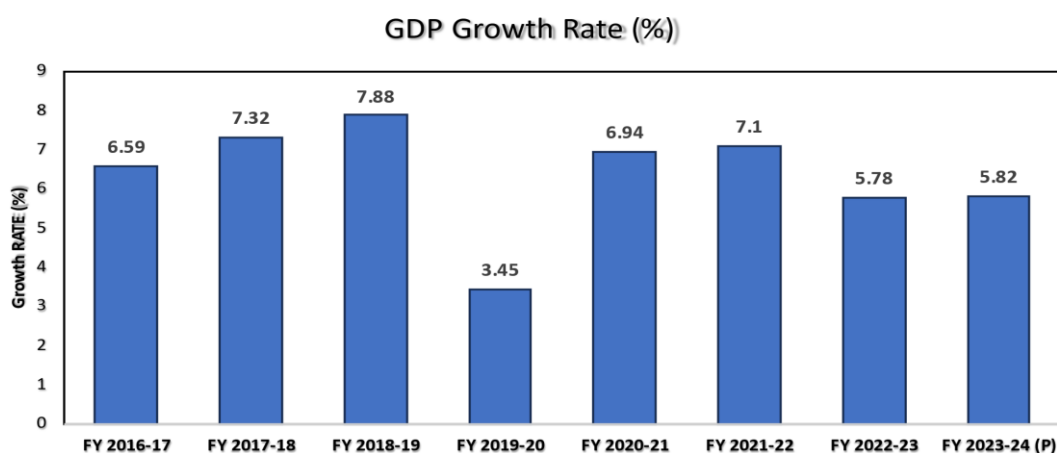
- Enhancing Public Service Delivery, i.e., Healthcare, Education, Social Safety Nets.
- Building Sustainable Infrastructure
- Promoting Economic Growth and Job Creation by supporting SMEs, modernizing agricultural
- Strengthening Governance and Institutions
- Fostering Inclusive Development

## Chapter 2: Bangladesh Domestic Resource Mobilization: Context and Challenges

### 2.1 Context

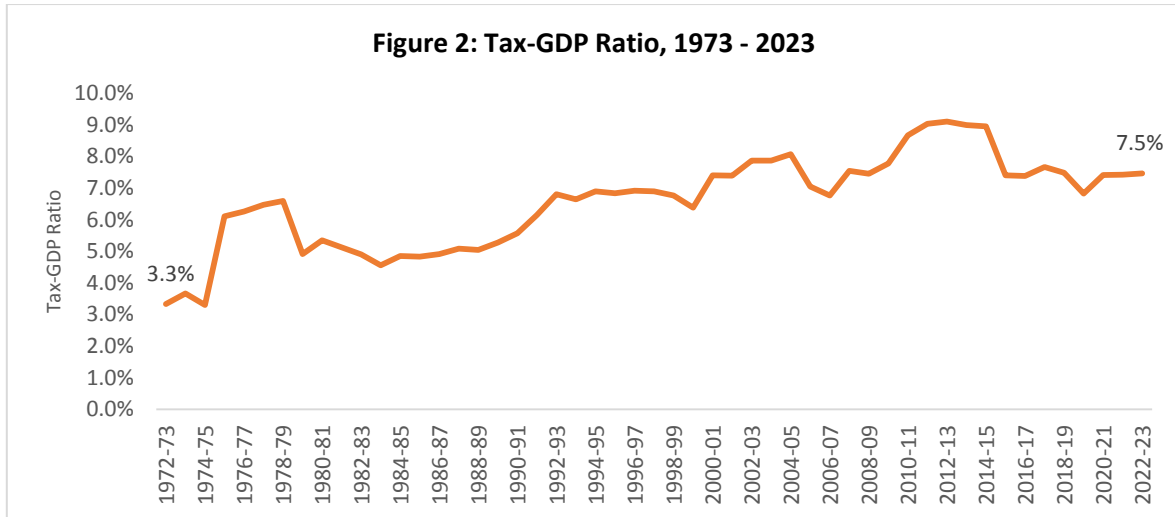
2.1.1 Bangladesh has maintained an average economic growth rate above 6.5% since the new millennium. Human development indices have also progressed, with notable improvements in well-being, reductions in child and maternal mortality rates, increased life expectancy, and higher literacy rates at primary and secondary education levels. Extreme poverty has significantly decreased from 34% in 2000 to 5.6% in 2022 (Household Income and Expenditure Survey, BBS, 2022). Contributing factors include a young and growing labor force, a resilient agriculture sector, a growing service sector, and significant public investment (Liller, 2022).

Figure 1: GDP Growth Rate of Bangladesh



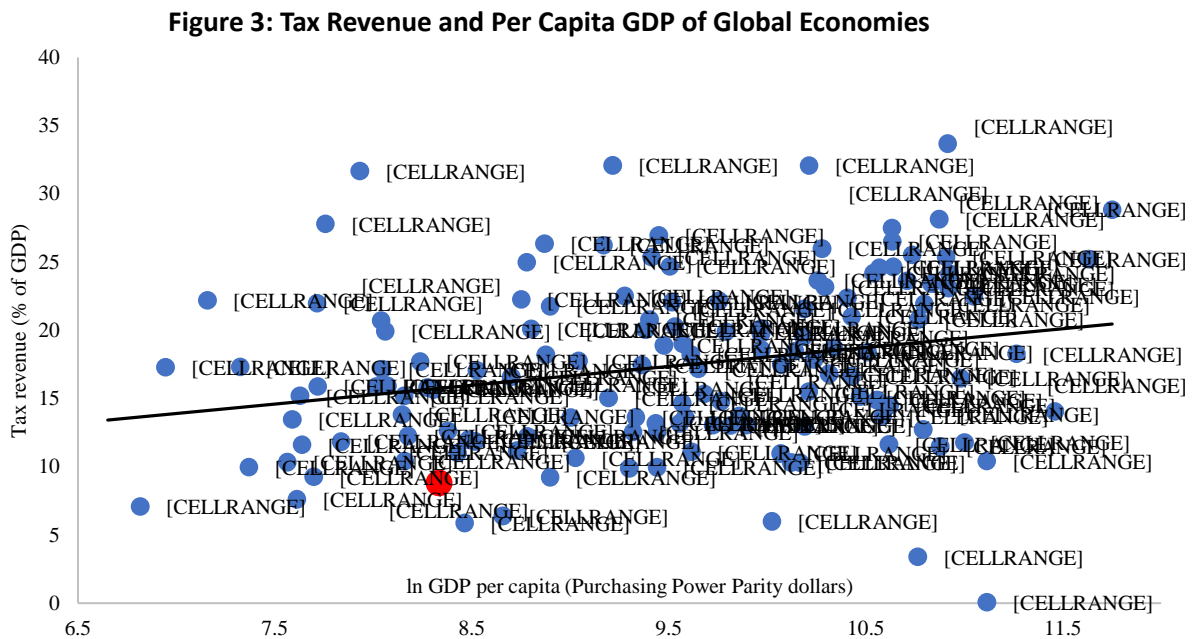
Source: Bangladesh Economic review, 2024 (Ch:2) & NAS, July, 2024, BBS.

2.1.2 Despite these achievements, Bangladesh faces a persistent challenge of low revenue collection. To transition to a higher-income country, enhancing domestic revenue mobilization is crucial. However, government efforts to increase revenue from domestic sources encounter significant obstacles. This underscores the need for a comprehensive MLTRS to address these weaknesses. The tax-to-GDP ratio in Bangladesh has remained persistently low, between 8 to 9 percent from FY 2013 to 2022.



Source: National Board of Revenue and Bangladesh Bureau of Statistics

2.1.3 Over the past decade, Bangladesh has consistently maintained very low average tax-to-GDP ratios compared to countries with similar GDP per capita. Regionally, Bangladesh's tax-to-GDP ratio remains among the lowest in South Asia as shown in the figure below.



Source: World Development Indicators Database as cited in Razzaque et al. (2023).

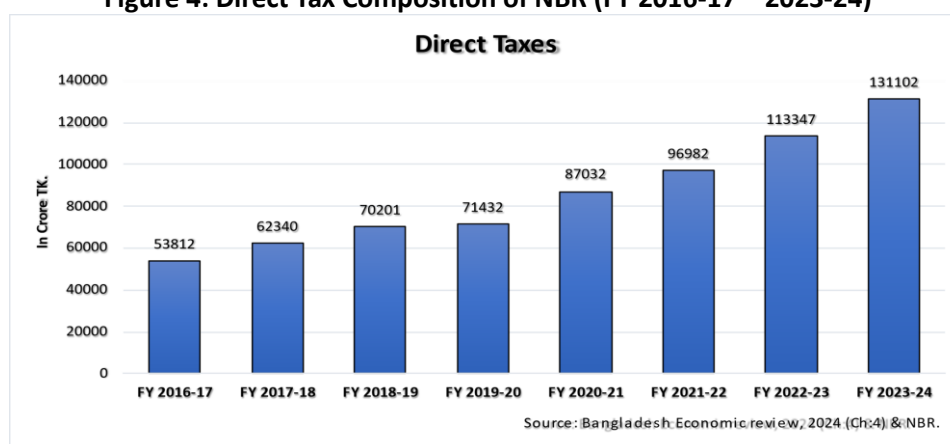
Note: Countries are indicated as BGD = Bangladesh, CAN = Canada, CHN = People's Republic of China, DNL = Denmark, IDN = Indonesia, IND = India, MAL = Maldives, NPL = Nepal, PHL = Philippines, SGP = Singapore, SLK = Sri Lanka, THA = Thailand, VNM = Viet Nam, THA = Thailand

2.1.4 The mobilization of domestic revenues, with a particular emphasis on achieving a sustainable increase in tax revenue, is crucial for meeting the rising demand for public services and providing the necessary infrastructure to accelerate economic growth. This requires a structural shift in the country's revenue composition, gradually reducing reliance on customs duties in line with global trends. Additionally, reducing dependency on indirect taxes and boosting direct tax

collection can help address growing income inequality, as indirect taxes disproportionately affect low-income individuals (Razzaque et al., 2023; RAPID, 2024). Stakeholder consultations indicate a significant untapped opportunity to increase the efficiency of indirect tax collection, particularly VAT, without exacerbating inequality. To achieve this, there must be a greater reliance on direct taxes and enhanced efficiency in indirect tax collection. By prioritizing this shift, Bangladesh can enhance its revenue generation capacity and ensure a more stable and sustainable financing base to meet the growing needs of its economy and society.

2.1.5 In recent times, the amount of direct tax collection has increased substantially, rising from Taka 523 billion in FY 2015-16 to Taka 1311 billion in FY 2023-24, with an average growth rate of about 13.72%. The taxpayer base has also expanded significantly, from 1.65 million in FY 2014-15 to 10.4 million in FY 2023-24, and the number of returns filed has increased from 1.09 million to about 4.30 million during the same period. According to the Bangladesh Economic Review 2024, in FY 2023-24, direct tax revenues accounted for 34.26% of total tax revenues, a significant increase from 9.72% in FY 1972-73. This data indicates that Bangladesh is reducing its reliance on indirect taxes, partly due to a decline in import dependency as the country diversifies its economy and increases domestic production. Other contributing factors include initial improvements in direct tax administration and a rise in taxpayer compliance, driven by various reform initiatives by NBR to enhance the tax base, simplify the tax system, modernize tax infrastructure, and raise tax awareness among citizens.

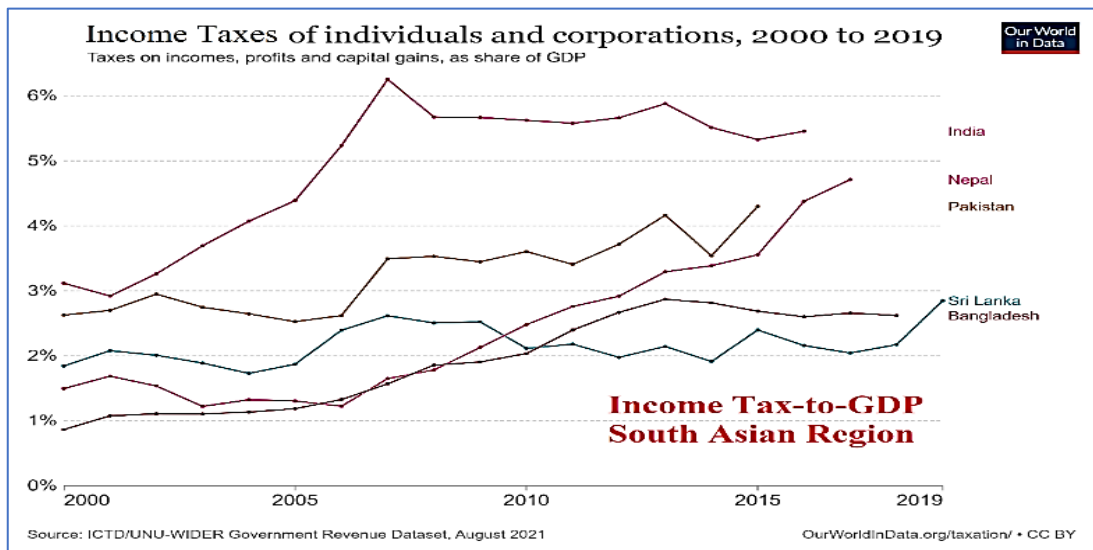
**Figure 4: Direct Tax Composition of NBR (FY 2016-17 ~ 2023-24)**



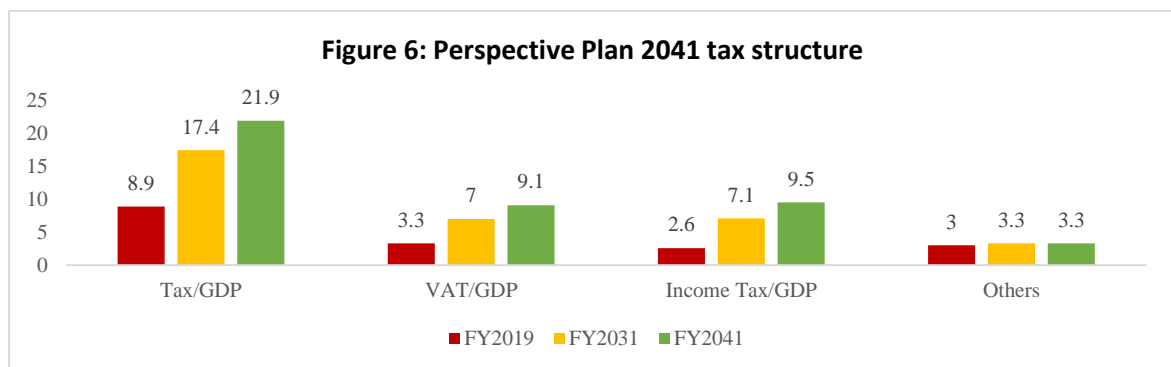
2.1.6 Bangladesh continues to lag behind its peers in terms of direct tax collection. In 2018, the country's direct tax to GDP ratio was only 2.62%, significantly lower than the South Asian average of 4.6% and the global average of 8.5%.



**Figure 5: Income tax to GDP ratio of South Asian region**



2.1.7 The tax system proposed in the Perspective Plan 2041 represents a departure from Bangladesh's traditional reliance on indirect taxation methods and consumption-based taxes. The fiscal framework for Perspective Plan 2041 aims to achieve a tax-to-GDP ratio of 17.4% by FY2031 and 21.9% by 2041. Its objective is to modernize the system by prioritizing income as the main contributor to tax revenue. This modernization entails implementing self-assessment, online filing and payment systems, simplified tax filing processes for most taxes, and conducting targeted and efficient audits based on specific criteria. Furthermore, Perspective Plan 2041 also recommends addressing the risks associated



Source: Geneal Economics Division, Ministry of Planning (2020b)

Strengthening tax administration, implementing automation, and improving efficiency are crucial for achieving the revenue targets of NBR. The growth in tax revenue will primarily come from domestic sources, particularly income tax and VAT. Expanding the income tax base by bringing more individuals and companies into the tax net and under the withholding mechanism is necessary to drive revenue growth and reach levels comparable to peer countries. However, a substantial portion of the Bangladesh economy operates in the informal sector, which hinders the increase in the number of income taxpayers and limits the potential for VAT collection. Government initiatives and

incentives to formalize these informal sectors will greatly enhance the domestic tax potential and enable the achievement of the targets.

- 2.1.8 The MLTRS, with its robust implementation arrangement, will support the realization governments revenue goals and targets. The MLTRS will be periodically updated based on evidence-based analysis, aligning with the Perspective Plan 2041, the upcoming Five-Year Plans, and the dynamic nature of tax reform in Bangladesh. This approach establishes a solid baseline framework for future tax reforms, informed by data and assessments as they become available.
- 2.1.9 Past performance indicates that overall tax administration is improving, creating momentum for accelerating tax reforms. However, NBR faces the enormous challenge of meeting highly aspirational and seemingly unrealistic revenue targets imposed by non-NBR planners. In this context, the need for a strategic approach becomes clearer.
- 2.1.10 With a growing number of taxpayers and complex tax regulations, the existing workforce is often overwhelmed, leading to limitations in effectively enforcing tax compliance. Tax audits, investigations, and compliance checks require skilled personnel to thoroughly examine financial records, identify irregularities, and ensure adherence to tax laws. However, the limited number of tax officials hampers the administration's ability to carry out these activities efficiently and comprehensively. The consequences of insufficient manpower for tax compliance enforcement are twofold: increased workloads and potential delays in addressing tax evasion cases, and a weakened deterrent effect on non-compliant taxpayers. These challenges can adversely affect revenue collection and the overall fairness and integrity of the tax system.
- 2.1.11 NBR has enabled pockets of modernization, but there has been no comprehensive, institution-wide automation effort. The Integrated VAT Administration System (IVAS) manages VAT data but faces challenges with inaccurate registration data and incomplete taxpayer information, necessitating in-person visits. Full automation of VAT services, including registration, filing, auditing, and electronic payments, is needed for efficiency. In customs, the ASYCUDA World system allows online declarations but requires manual submission of supporting documents and lacks full integration with other systems. Ongoing projects like the National Single Window and Bond Management Automation aim to address these issues. For income tax, digital initiatives like e-Return and e-TDS have been introduced, but full automation is still needed for a transparent and efficient revenue collection process.

## **2.2 DRM Challenges in Bangladesh**

The government-led diagnostic and analytical work, in collaboration with development partners, has examined the DRM challenges in Bangladesh and highlighted the underlying causes of these challenges, which are also recognized in the 8FYP and perspective plan. Various assessments and reviews, such as the Tax

Administration Diagnostic Assessment Tool (TADAT, 2017), Public Expenditure and Financial Accountability Assessment (PEFA, 2021), and the World Bank's Public Finance Review (PFR 2024), have provided a basis for understanding the issues. These analytical foundations help identify the challenges and progress made in DRM reforms.

These challenges are categorized into four areas of capacity development reform, which are aligned with the MLTRS Action Plan for better coordination. These areas are: (a) institutional capacity, aimed at enhancing the capabilities, systems, and processes within the tax administration to improve their performance in generating revenue; (b) regulatory capacity, focusing on strengthening the regulatory processes, systems, and procedures to ensure compliance with tax laws and regulations; (c) human capacity, focusing on developing and enhancing the knowledge, skills, and capabilities of individuals involved in tax administration and revenue collection; and (d) voluntary compliance support capacity, seeking to improve the willingness and active participation of taxpayers in fulfilling their tax obligations without the need for extensive enforcement measures.

### 2.2.1 Regulatory Capacity

**Policy and legal environment:** The current policy and legal environment poses significant challenges for both taxpayers and tax officials. The intricate tax laws and regulations make it difficult for individuals and businesses to navigate and fulfill their tax obligations accurately. This complexity also hinders enforcement and compliance efforts, leading to inconsistencies and subjective interpretations by tax officials. The lack of clarity in the legal environment undermines transparency and fairness, eroding public trust. Additionally, the complexity increases compliance costs, especially for small and medium-sized enterprises and individuals who may require professional assistance. This can discourage voluntary compliance and create opportunities for unintentional errors and non-compliance. Simplifying the policy and legal framework is crucial to enhance understanding, promote fairness, and reduce compliance burdens.

**Organizational structure:** The three wings of NBR operate independently at the national and regional levels, which often lead to lack of coordination and cooperation. There is limited collaboration between the customs, VAT, and income tax wings, both in terms of strategic planning, field operations and data sharing. This fragmented structure hampers effective coordination and may lead to suboptimal outcomes.

**Porous systems and processes:** Several key areas of NBR performance suffer from flaws, including the integrity of the taxpayer registration database, risk management effectiveness, timely filing of tax declarations, management of tax arrears, timeliness of payment, scope of verification actions, dispute resolution timeframes, adequacy of the tax revenue accounting system, tax refund processing, internal assurance mechanisms, external oversight, litigation management, public perception of integrity, and transparency in activities, results, and plans.

**Coordination among regulatory bodies:** A key challenge in customs clearance is the lack of coordination among different regulatory agencies. This issue is evident in the prevalence of document fraud, largely due to the manual submission of compliance certificates by various government organizations. The verification process for these certificates is time-consuming, as highlighted in the recent Time Release Study by NBR. While NBR is addressing this issue through the National Single Window Project, its success depends on the preparedness and capacity of all relevant entities and departments, many of which are still unprepared for integration into a centralized system. Additionally, the existence of different legal frameworks for Certificate/License/Permit Issuing Agencies (CLPIAs) indicates the need for a comprehensive legal framework to streamline trade-related clearance. Addressing these coordination challenges is crucial to enhance efficiency, reduce fraud, and promote smoother trade operations.

## 2.2.2 Institutional Capacity

**Overreliance on indirect taxes as revenue source:** Bangladesh's tax system heavily relies on indirect taxes, which account for about 66% of total tax revenue. Initially dominated by trade-related taxes like Customs duties, the focus shifted to VAT in 1991. Since FY 2010, VAT collected during importation has been the highest contributor. Direct taxes' share in total revenue has fluctuated between 30% to 36%. The rate of increase in income tax collection has decreased significantly from FY 2010-14 to FY 2015-19. Vision 2041 aims to raise the contribution of direct taxes to over 50% of total revenue.

**Absence of dynamism in administrative policy and reforms:** The elasticity of tax to GDP growth has declined due to stagnation in revenue mobilization reforms and deteriorating tax efforts. Enhancing revenue collection through tax policy and administration reforms is necessary to create fiscal space and overcome economic challenges.

**Lack of an NBR-wide integrated automation:** The absence of integrated automation in tax collection and enforcement leads to significant challenges, including administrative burdens, delays, and errors due to reliance on manual processes. It also hinders information sharing and coordination among tax wings and other government agencies, causing data inconsistencies and duplicated efforts. This impacts enforcement effectiveness and timely decision-making. Additionally, the lack of real-time data and analytics limits revenue forecasting, policy formulation, and risk assessment. There is an urgent need for a centralized system to automate tax processes, improve data management, and enhance compliance.

**Interoperability:** Efforts are currently underway to introduce electronic options for registrations, filing, and reporting. However, these initiatives are being pursued separately for VAT and income tax, resulting in a fragmented approach. The lack of interoperability among the systems further hinders the implementation of efficient work procedures across different tax types, leading to suboptimal user-friendliness and low take-up rates.

**Insufficient capacity for data analytics:** NBR lacks adequate data and skilled manpower to manage compliance risk, with constrained analytical capacity due to labor-intensive data entry. There is no national guideline for prioritizing risks or developing risk management strategies, resulting in revenue collection below expectations. Revenue forecasting lacks credibility, widening the gap between collection and budget targets.

**Absence of tax gap analysis:** NBR lacks research and analytical tools to measure the tax gap, resulting in an inability to quantify compliance and policy gaps. This hinders the prioritization of reform policies and reduces the credibility of revenue forecasting, leading to high variance and under-collection.

**Narrow tax base and broad exemptions:** Bangladesh's extensive use of concessionary tax rates and exemptions in taxes limits revenue generation and fairness in the tax system. The absence of a systematic framework for efficient allocation of tax expenditures and lack of transparency in foregone revenues allocation pose significant challenges. Economic growth has been driven by sectors generating limited revenues, resulting in a narrow tax base. Mega projects and the readymade garment industry benefit from generous tax exemptions, adversely impacting revenue collection. Informal sectors like Small and Medium Industries, Informal Service Providers, Agriculture, and small-scale construction projects further challenge VAT collection. To enhance revenue mobilization, it is essential to expand the tax base and reduce exemptions.

**Lack of evidence-based strategic action plans:** The lack of evidence-based strategic action plans across the three wings of NBR is a significant challenge to optimal revenue mobilization. Without these plans, the administration struggles to identify and address key issues in revenue collection, such as tax compliance and leakage. The lack of empirical evidence also limits the ability to allocate resources effectively and focus on high-impact areas. Additionally, evidence-based plans provide a means to monitor and evaluate the effectiveness of implemented measures, ensuring accountability and optimizing revenue mobilization efforts.

**Lack of an Integrated Revenue Reporting and Monitoring System:** The lack of an integrated revenue reporting and monitoring system in NBR hinders the effective monitoring and assessment of revenue collection, identification of non-compliance, and enforcement actions. The lack of a centralized system leads to inefficiencies in data management and reporting, causing delays, errors, and difficulties in accessing accurate and real-time information. This limits the administration's ability to make informed decisions and respond effectively.

**Absence of cross-functional Compliance Risk Management Unit (CRMU):** The absence of a CRMU across tax types (customs, income tax and VAT) limits NBR's ability to proactively identify and address risks that impact compliance with revenue laws. Without a cross-organizational CRMU, strategic-level risks and required mitigation measures may not be adequately addressed. A CRMU should provide data analysis,

mining, and related services to support decision-making and the end-to-end compliance risk management process across different revenue types.

**Low Credibility in Revenue Forecasting:** The credibility of revenue forecasting in Bangladesh is low, leading to high variance in revenue outturns consistently falling short of targets. Improving the accuracy and reliability of revenue forecasting is crucial for effective fiscal planning and resource allocation.

**Readiness Challenges for LDC Graduation:** Bangladesh is set to graduate from the group of Least Developed Countries (LDC) in 2026. However, the ongoing global economic instability presents significant challenges to Bangladesh's domestic resource mobilization. Uncertainties, financial crises, and trade disruptions have a direct impact on the country's revenue generation capacity and fiscal situation. Fluctuations in global markets and reduced demand for exports can hinder government revenue from export earnings. Additionally, economic uncertainties in host countries can decrease remittances from migrant workers, affecting foreign exchange reserves and overall revenue. The instability also hampers private sector investments, reducing job creation, economic growth, and tax revenues.

**Inadequate infrastructure and logistics:** Inadequate infrastructure and logistics significantly impact domestic revenue mobilization. Insufficient office facilities, outdated equipment, and limited inspection tools hinder effective tax processes and automation, causing delays and errors in revenue collection. Poor logistics, including transportation and storage, obstruct the movement of crucial documents, affecting investigations and audits, and compromising enforcement activities. This hampers timely taxpayer services, leading to dissatisfaction and potential compliance issues, while also hindering enforcement efforts, resulting in missed opportunities to identify non-compliance and tax evasion.

**Lack of effective international partnerships:** The lack of meaningful partnerships with international organizations presents a significant institutional challenge for the tax administration of Bangladesh, impacting efforts to curb revenue leakage. Without strong collaborations, the administration lacks access to valuable resources, expertise, and best practices in combating tax evasion and money laundering. The absence of these partnerships' limits information sharing and intelligence exchange on cross-border tax evasion, hindering effective identification and investigation of such cases. Additionally, partnerships with international organizations are essential for capacity-building initiatives, enabling the adoption of modern technologies and tools that enhance enforcement capabilities, improve revenue collection, and mitigate revenue leakage.

**Protectionist tariffs and complex tariff policy:** Protectionist tariffs and supplementary duties imposed on imported goods serve as a significant source of revenue for Bangladesh. Although average customs duties have been reduced over the years, the overall tariff structure remains complex. The average most favored nation tariff in FY20 was 14.8 percent, nearly doubling to 29.6 percent when additional import taxes, such as regulatory and supplementary duties, are included. These high tariffs, coupled with

numerous protective supplementary duties and exemptions for domestic products, create distortions and hinder efficient trade. Moreover, these distorted and protectionist tariff structure act as a significant anti-export bias for manufacturers.

**Inadequacy of the specialized functional units:** NBR has established specialized directorates like Audit, Intelligence, Investigations, and Risk Management, but they are not yet fully effective. The absence of specialized units for areas such as money laundering, transfer pricing, trade negotiations and International Property Rights (IPR) poses significant challenges. Without these units, NBR struggles to combat financial fraud, prevent illicit fund flows, and address trade-related tax matters. Limited resources and skills hinder the detection, investigation, and prosecution of financial offences, as well as coordination with other agencies and international partners. Strengthening these directorates by establishing specialized units is essential to enhance capabilities, combat financial crimes, and address trade-related tax issues effectively.

**Limited capacity of the specialized functional units: Absence of a central Project Management Office (PMO):** The absence of a central PMO within NBR leads to failed or delayed projects. Without a dedicated PMO, project management suffers from misaligned objectives, inadequate resource allocation, and poor planning. The lack of standardized processes increases the risk of projects starting without proper assessment, resulting in unrealistic timelines and scope creep. Additionally, it hampers coordination and communication among stakeholders, making it difficult to ensure a unified approach and timely information exchange. This limits NBR's ability to monitor progress, identify risks, and implement mitigation strategies, causing delays and cost overruns. NBR's Research and Statistics Wing should be capacitated to function as the MLTRS Secretariat.

**Lack of Effective Public Relations Mechanism:** The lack of effective public relations and communication mechanisms in NBR presents a significant institutional challenge. This issue has resulted in a lack of taxpayer awareness and understanding of their tax-related rights, obligations, and benefits. Insufficient efforts in taxpayer education and awareness have hindered voluntary compliance. Furthermore, the absence of clear and transparent communication channels between NBR and taxpayers has led to limited provision of taxpayer services, discouraging individuals from seeking assistance and clarification. The inability to address public concerns and inquiries in a timely and satisfactory manner has further eroded trust and confidence in the tax system, potentially leading to lower levels of compliance.

### **2.2.3 Human Capacity and Resources**

**Inadequate Workforce:** NBR faces a significant challenge of an insufficient workforce for tax compliance enforcement and taxpayer services. There is no strategy for overall capacity development or opportunities for officers to gain micro-specialization. With a growing number of taxpayers and complex tax regulations, the existing workforce is often overwhelmed, limiting effective tax compliance enforcement. Skilled personnel are needed for tax audits, investigations, and compliance checks, but the limited

number of tax officials hampers these activities. This results in increased workloads, potential delays in addressing tax evasion, and a weakened deterrent effect on non-compliant taxpayers, adversely affecting revenue collection and the integrity of the tax system.

**Inadequate investment in capacity building:** NBR faces a significant challenge of inadequate investment in capacity building, as highlighted by a study comparing revenue collection expenditure among countries. Bangladesh's spending of only BDT 0.33 for collecting every Tk 100.00 in revenue is the lowest globally<sup>1</sup>. In contrast, neighboring India allocates Rs 0.60, Thailand spends Thai Bath 0.71, and developed countries like Japan, Malaysia, and Singapore allocate significantly higher amounts. This indicates that Bangladesh's investment in capacity building for NBR is relatively low, impeding the effectiveness and efficiency of revenue collection processes. Insufficient investment hampers training and professional development, impedes the adoption of modern technologies for efficient NBR, and limits the ability to conduct research and implement effective compliance measures to identify tax evasion patterns.

**High staff turnover:** NBR faces high turnover rates among its employees, which hampers the continuity and effectiveness of operations. Frequent changes in personnel lead to a loss of institutional knowledge and expertise, making it difficult to maintain consistency in NBR practices.

**Limited scope for recruiting specialists:** The limited scope for recruiting specialists presents a significant challenge for a specialized organization like NBR, impacting its ability to build a competent and diverse workforce. The organization requires specialized professionals in areas such as forensic accounting, image analysis, data analytics, and digital forensics to effectively handle complex data modeling issues, conduct thorough audits, and provide expert advice to NBR officials. Factors such as limited incentives and a lack of career growth opportunities hinder the attraction of highly skilled professionals in areas crucial to effective tax administration.

**Inadequate performance incentives:** The absence of a comprehensive performance-based incentive system discourages tax officials from achieving higher levels of productivity and efficiency. A lack of incentives may contribute to reduced motivation and suboptimal performance in revenue collection and enforcement efforts.

**Limited use of available technology:** NBR still heavily relies on manual and paper-based processes, which limit efficiency and increase the likelihood of errors and corruption. Insufficient utilization of modern technology and automation tools hinders the ability to streamline operations and improve accuracy in tax assessment and collection.

**Absence of common platform for knowledge sharing:** There is no common platform to share information and knowledge across different wings of NBR. There is lack of

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<sup>1</sup> A Comparative Analysis of Tax Administration in Asia and the Pacific, Seventh Edition, February 2024, Asian Development Bank



collaborative approach from the training academies of the two wings to arrange seminars and workshops to facilitate sharing knowledge and sectoral best practices.

**Ethical standards and integrity concerns:** Instances of corruption and unethical practices within NBR pose significant challenges. These issues erode public trust, undermine revenue collection efforts, and create a negative perception of NBR's integrity and credibility.

#### **2.2.4 Voluntary Compliance**

**Unsteady tax regime:** Frequent changes in the tax regime create undue complexity, unpredictability, and uncertainty in the private sector. The pressure for revenue collection incentivizes the introduction of new measures or alterations to existing ones annually, negatively impacting taxpayer certainty and investor confidence. An unstable tax regime also contributes to numerous tax disputes, resulting in piecemeal legislation, a time-consuming reconciliation process, and interpretation conflicts between taxpayers and the tax administration.

**Presence of informal sectors:** Despite a major structural shift from agriculture to manufacturing and services, most informal economic sectors remain outside the tax net. According to Labor Force Surveys by the BBS, the rate of employment in the informal economy increased to 86% in FY 2017-18. These sectors often evade statutory obligations such as paying pensions or gratuities to workers and are indifferent to complying with tax laws due to compliance costs and system complexity.

**Insufficient taxpayer education:** There has been little initiative to educate the public about the significance of revenue collection for the country's socio-economic development. Taxpayer education is crucial for transforming the overall tax culture and promoting voluntary compliance.

**Lack of tailored compliance assistance program:** NBR lacks a need-based taxpayer assistance program. Personalized compliance assistance is particularly needed for groups like small and medium enterprises (SMEs), small traders, and female entrepreneurs. Taxpayer segmentation for tailored guidance and assistance is essential to improve voluntary compliance among taxpayers with special needs and circumstances.

**Insufficient use of technology for taxpayer services:** The adoption of modern technologies, such as online portals and digital platforms, for providing taxpayer services may be inadequate. This can hinder the convenience and efficiency of tax-related interactions, discouraging voluntary compliance.

**Inadequate incentives for voluntary compliance:** NBR offer inadequate incentives for voluntary compliance through recognition, rewards, or benefits for compliant taxpayers. This can result in a lower motivation for taxpayers to voluntarily fulfill their tax obligations.

**Lack of comprehensive training framework:** There is no well-designed training system for both tax officials and stakeholders to share information and improve technical and professional skills. Without the required knowledge, tax officials cannot effectively guide taxpayers, and taxpayers fail to understand the benefits of voluntary compliance and support systems. A comprehensive training framework involving both tax officials and stakeholders is necessary to promote collaboration and acquire adequate knowledge on relevant topics and issues.

## **2.3 Government Responses to DRM Challenges**

Bangladesh has made significant progress in domestic revenue mobilization through various reform initiatives. These achievements have laid a strong foundation for further development and align with the country's vision of attaining upper middle-income status by 2031. The reforms have encompassed the entire tax architecture, including customs, VAT, and income tax. However, sustained efforts are needed to enhance regulatory, institutional, human, and voluntary compliance capacities. These reforms are reflected in the MLTRS Action Plan, aiming to reinforce domestic revenue mobilization in the country.

### **2.3.1 Income Tax**

2.3.1.1 Government of Bangladesh enacted a new Income Tax Act in June 2023, replacing the Income Tax Ordinance, 1984 to Income Tax Act 2023. The new Act incorporates international best practices to simplify tax return procedures and reduce tax evasion. Additionally, NBR expanded its Income Tax Wing with 10 new tax zones and three specialized units: the Income Tax Intelligence and Investigation Unit, the e-Tax Management Unit, and the Withholding Tax Management Unit. Besides, there are now an additional 220 circles and 40 range offices. These expansions are expected to broaden the tax net and enhance compliance.

2.3.1.2 Income tax remains the most challenging tax to enforce, contributing only 2.58% of GDP in 2021-22 (Finance Division, 2023) despite recent progress. While per capita income has more than doubled over the past decade, income tax collection has increased only marginally. NBR is emphasizing full automation of the income tax system, with an action program underway to develop an online return filing system and digitize source tax management.

2.3.1.3 Bangladesh is improving fiscal management of tax expenditure through a comprehensive capacity-building process. The Income Tax Wing has been conducting annual tax expenditure assessments since 2021 to estimate revenue forgone due to tax expenditures. The first tax expenditure report for the fiscal year 2020-2021 has already been officially published.

2.3.1.4 The direct tax wing has implemented a number of initiatives aligned with full automation. Taxpayers can submit their returns online through e-Return platform which has a simple and user-friendly interface. The corporate entities can submit TDS returns through e-TDS. Besides, tax payments can be made online using bank

cards and mobile banking. Authenticity and accuracy of audit reports submitted by tax entities can be verified through Document Verification System (DVS). All the tax records, arrear demands, litigation cases and tax registers are now preserved and managed online through the Office Management System. Any field office can check its real time tax collection through Automated Challan System (ACS).

## **2.3.2 Customs**

2.3.2.1 The new Customs Act 2023 has replaced the Customs Act of 1969. The new Act aims to streamline and enhance trading activities by introducing more efficient processes and incorporating provisions that support key initiatives like the National Single Window (NSW). The new Customs Act is expected to provide the necessary legal framework to fulfill Bangladesh's commitment to international customs standards.

2.3.2.2 NBR has led efforts to digitize and automate customs processes related to bonded warehouses, adjusting the ASYCUDA system to meet Bangladesh's specific needs. NBR has taken the lead since 2019 in digitizing and automating the customs processes related to bonded warehouses. This initiative aims to improve the management of leakages and enhance accountability for dutiable imports by export-oriented industries. National Board of Revenue (NBR) has already developed several digital systems, including e-Advance Ruling, e-Appeal, e-Auction, and the Detained Goods Management System, as part of its ongoing efforts to automate processes and enhance operational efficiency.

2.3.2.3 The National Board of Revenue (NBR), on behalf of the Government of Bangladesh, is leading the implementation of the National Single Window (NSW) project. This initiative, targeted for completion by 2026, aims to enhance efficiency in clearing process, improve trade facilitation, reduce the business cost, strengthen coordination among different govt agencies, and establish a common platform for exchanging trade related documents.

2.3.2.4 To establish a robust risk management system, the Customs Risk Management Commissionerate has been established. The development of an Automated Risk Management System (ARMS) is currently underway. Once deployed and effectively utilized, ARMS will address the challenges posed by the increasing volume of international trade, facilitate trade, and strengthen control over high-risk consignments, including the growing e-commerce sector.

2.3.2.5 The Customs Strategic Plan (2024-2028) outlines time-bound activities to expedite automation. A significant step includes the formulation of a comprehensive career planning policy for NBR officials, aiming to address the lack of long-term strategic planning and provide a structured approach to professional development. Additionally, the Customs authorities are actively engaging in domain-specific training and workshops, covering areas such as Trade Policy, Strategic Trade Control, Data Analytics, Risk management and Cargo Targeting etc.

2.3.2.6 Furthermore, the ongoing Customs Modernization and Infrastructure Development Project signifies a commitment to building infrastructure for the Customs Excise and VAT Training Academy, accompanied by the development of a state-of-the-art training curriculum and e-learning platform. These measures underscore Bangladesh Customs' dedication to addressing workforce challenges, promoting professional development, and ensuring a competent and well-equipped team capable of effectively handling the diverse aspects of tax administration.

2.3.3.7 To enhance taxpayer education and awareness, the Customs authorities have initiated the publication of comprehensive information on their official website, providing a valuable resource for taxpayers to access information about their obligations, rights, and benefits. Furthermore, efforts have been made to expedite and strengthen the Authorized Economic Operator (AEO) program, which plays a crucial role in improving the quality of taxpayer services.

### **2.3.3 VAT**

2.3.3.1 Recognizing challenges associated with multiple VAT rates, cascading effects, and rebate issues that lead to effective VAT rates higher than the standard rate, NBR is focusing on the intricacies of VAT expenditure and the compliance gap, which can result in revenue loss. Historically, VAT exemptions were granted to promote specific sectors, but in alignment with the goal of increasing VAT collection, there is a deliberate effort to gradually review existing policies, rules, and Statutory Regulatory Orders (SROs). To further bolster fiscal accountability, the VAT Wing has been conducting expenditure analysis since 2023, with plans to publish this analysis annually.

2.3.3.2 NBR is adapting to changing business landscapes by issuing new rules in response to the introduction of new business types, ensuring regulatory frameworks align with evolving economic dynamics. These regulatory reform initiatives underscore NBR's commitment to refining the tax structure, fostering economic efficiency, and ensuring a fair and transparent fiscal environment for businesses and taxpayers alike.

2.3.3.3 As part of its ongoing digitalization efforts, the National Board of Revenue (NBR) developed the Integrated VAT Administration System (IVAS), which has been operational since 2015. To further enhance compliance, NBR has initiated the process of integrating IVAS with the accounting software of companies, aiming to curb VAT evasion by large firms.

2.3.3.4 NBR has actively pursued initiatives aimed at enhancing administrative efficiency, reducing compliance gaps, and fostering transparency. A pivotal step involves the submission of an expansionary proposal for administrative reform, currently under consideration by the competent authority. Recognizing the impact of compliance gaps on revenue loss, NBR introduced the Electronic Fiscal Device (EFD) and Sales Data Center (SDC) in the retail sector in 2020.

2.3.3.5 NBR is enhancing the VAT system to encourage voluntary compliance. Key initiatives include improving the VAT online system for seamless return submissions and

electronic payments, introducing e-invoicing in specific sectors, and organizing regular training sessions for VAT officials and taxpayers. NBR also celebrates VAT Day and VAT Week to recognize top taxpayers and promote a culture of compliance and business excellence.

## **Chapter 3: MLTRS: Concepts, Goals and Objectives**

### **3.1 Concepts**

The MLTRS is a comprehensive approach to reform revenue mobilization systems, aiming to boost tax revenues over the medium and long term through a country-led and whole-of-institution strategy. This approach is crucial for establishing a clear vision for the tax system's future, beyond immediate and narrow concerns, to avoid inconsistent and short-term efforts that often result in insignificant reform impacts. Clarity of purpose helps overcome well-known problems and uncertainties in the political economy of tax system reform. The MLTRS process leads to a broadly supported, public, transparent, and comprehensive tax system reform, including both tax policy and administration.

### **3.2 Goals**

3.2.1 The MLTRS is endorsed by the highest level of the Government to mobilize revenues through a tax system that ensures macroeconomic sustainability while reflecting distributional considerations. Following six overarching goals have been identified to focus the strategy on results and actions to achieve them:

- Goal 1: End-to-end automation of NBR's business processes
- Goal 2: Increase tax-to-GDP ratio to 10.5% by FY2034-35
- Goal 3: Improve voluntary compliance
- Goal 4: Close gap between actual and potential tax revenues
- Goal 5: Ensure uniformity of practice and enforcement of law
- Goal 6: Improve integrity and transparency

3.2.2 While each of these goals represents a critical outcome in its own, collectively they form a compelling case for the MLTRS to adopt bold and innovative strategies. By pursuing these goals, the MLTRS has the potential to drive transformative change in the tax administration system, ensuring long-term sustainability and effectiveness.

#### **3.2.3 Goal 1: End-to-end Automation of NBR's Business Processes**

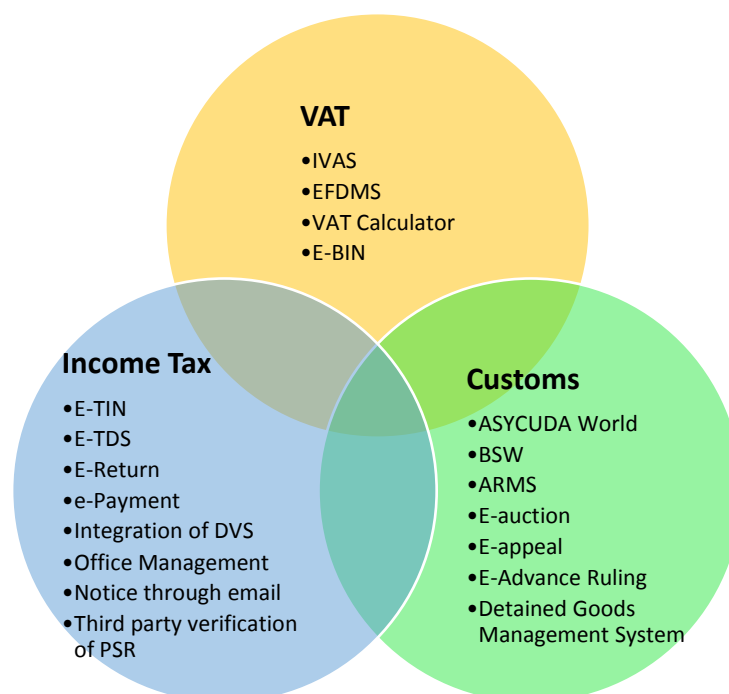
3.2.3.1 Automation is central to the MLTRS, both to improve tax administration and to provide ease of access and better service to taxpayers. A major cross-cutting project is envisaged to integrate several on-going projects such as the Customs Modernization Strategic Action Plan, Asycuda World, online tax filing and many other

individual efforts. Given the complexity of this project, it is assumed to have a long duration, perhaps extending into the Long-term portion of the MLTRS.

3.2.3.2 According to the Macro-Economic Policy Statement of the Ministry of Finance (2023-24 to 2025-26), Bangladesh generates the highest returns from investments in its taxation system compared to other developing countries. The automation of Bangladesh's taxation system presents a unique opportunity to significantly raise the country's tax-to-GDP ratio. The MLTRS includes a multi-faceted automation program, which is the centerpiece of the reform strategy.

3.2.3.3 Over the years, NBR has implemented several programs to automate and digitalize Bangladesh's taxation system. Key initiatives include the Tax Modernization Plan (2011-16), Reforms in Revenue Administration (RIRA, 2008), Management of Information System of Taxation (MIST, 2008-09), Tax Administration Capacity and Taxpayer Services (TACTS), Comprehensive Modernization Plan (CMP, 2011), Strengthening Governance Management Project (SGMP, 2011-18), VAT Improvement Programme (VIP, 2014-2024), Electronic Fiscal Device (EFD, initiated in 2019), Bangladesh Integrated Tax Administration System (BITAX, launched in 2016), online e-Return submission (e-filing, launched in 2016), and Customs modernization (ASYCUDA, first introduced in 2003 and now ASYCUDA++). Key results of these initiatives are graphically captured in Figure 7, indicating the progress made in digitalizing various components of Bangladesh's taxation system.

Figure 7: Automation systems of NBR



3.2.3.4 Drawing from these experiences, NBR will leverage automation through the MLTRS as a tool to enhance tax revenue by improving tax administration and providing better services to taxpayers. These prior initiatives will serve as foundational

elements for this investment. It is important to note that this will not be a quick fix. Bangladesh is still in the nascent stages of automation, and several of these past initiatives have not fully met their objectives.

### **3.2.4 Goal 2: Increase Tax-to-GDP ratio to 10.5% by FY2034-35**

3.2.4.1 An ambitious target can serve as a powerful motivator for NBR to direct each Wing towards maximizing DRM. Currently, the benchmark ratio is approximately 7.3% of GDP. As the economy grows, achieving this ratio becomes increasingly challenging due to the rising GDP. A working assumption of 'not less than 10%' may be planned for 2032, with significant efforts propelling NBR towards its planned outcome by FY2034-35. Unlike the previous time, it is proposed that the upcoming FYPs use the tax-to-GDP benchmark set by the MLTRS.

### **3.2.5 Goal 3: Improve Voluntary Compliance**

3.2.5.1 This goal is essential for a properly functioning DRM system. The lack of voluntary compliance in VAT and personal and corporate income taxes undermines the legitimacy of the tax system and may foster distrust in the government. Factors affecting voluntary tax compliance in Bangladesh include lack of trust, complex tax laws, conventional tax administration, low tax awareness and education, and social norms. To improve voluntary compliance, possible measures include:

- Simplifying the tax rules and procedures, and providing clear and accessible information and guidance to taxpayers;
- Enhancing the capacity and professionalism of the tax administration, and ensuring its transparency, accountability, and integrity;
- Strengthening the enforcement and audit mechanisms, and applying consistent and proportional penalties for non-compliance;
- Increasing the benefits of and recognition for compliant taxpayers such as offering tax rebates, discounts, certificates, etc.; and
- Promoting a culture of tax compliance through education, communication, and social norms.

### **3.2.6 Goal 4: Close the Gap between Actual and Potential Tax Revenues**

3.2.6.1 The current revenue generation are underperforming relative to their potential. This may explain an unrealistic tax-to-GDP estimates in the 8FYP. In addition, low yield of direct taxes can be countered by ease of filing, digitalization, and more aggressive revenue collection efforts as customs duties decline. The VAT revenue can be increased and relevant actions have been identified to achieve that objective.

3.2.6.2 One added measure of the potential for tax collection is the estimate of USD15-20 billion lost to money laundering annually. This amount would significantly increase the direct income base against which legal rates would be applied.

### **3.2.7 Goal 5: Ensure Uniformity of Practice and Enforcement of Law**

3.2.7.1 The mission of NBR is firmly rooted in its legal mandate. All decisions and actions undertaken by the institution must conform to the rule of law. To uphold the integrity and legitimacy of the tax system, administrative practices must be standardized and uniform, ensuring that all taxpayers are treated equally and fairly.

3.2.7.2 Uniformity in practice and enforcement is critical for fostering trust and compliance among taxpayers. When taxpayers perceive that the tax system is fair and that everyone is subject to the same rules and procedures, they are more likely to comply voluntarily. This uniformity also helps to eliminate any potential biases or discrepancies in tax administration, thereby enhancing the overall effectiveness of NBR.

3.2.7.3 Automation is a key tool in achieving this standard of uniformity and efficiency. By leveraging technology, NBR can streamline processes, reduce human error, and enhance transparency in tax administration. Automation facilitates consistent application of tax laws and regulations, ensuring that all taxpayers receive the same treatment regardless of their circumstances. However, automation alone is not sufficient to achieve the desired level of uniformity. Goal 6, outlined below, serves as an important driver in this endeavor.

### **3.2.8 Goal 6: Improve Integrity and Transparency**

3.2.8.1 Improving integrity and transparency is crucial to building a trustworthy and effective tax administration. Institutional integrity ensures that the organization operates in a manner that is consistent with its mission and values, fostering a culture of ethical behavior and accountability. This, in turn, encourages individual employees to adhere to high standards of conduct in their professional duties.

3.2.8.2 To reinforce a commitment to integrity, many government agencies have adopted a Code of Ethics and Conduct and set up internal mechanism to investigate allegations of fraud, corruption and criminality. By adopting these measures, NBR can create an environment to emphasize on integrity and transparency. This not only enhances the organization's credibility and public trust but also ensures that its operations are conducted in a fair and ethical manner. Improving integrity and transparency is a continuous process that requires ongoing commitment and vigilance, but it is essential for building a resilient and effective tax administration system.

## **3.3 Objectives**

3.3.1 The overall objective of the MLTRS is to create a transparent, efficient, and effective revenue system that supports the country's fiscal policy and budget framework. To achieve this, the MLTRS has outlined following specific objectives based on the aforementioned goals, representing high-level planned outcomes.

- Enhancing cost effectiveness through automation;
- Improving horizontal and vertical equity;



- Improving taxpayer services;
- Aligning tax policy with macroeconomic realities;
- Making the tax system more resilient to uneven macroeconomic situations;
- Strengthening partnership among stakeholders;
- Enhancing taxpayers' and professionals' education and awareness;
- Developing professional knowledge and technical skills of the tax officials;
- Improving logistics and infrastructure;
- Ensuring certainty of tax regime;
- Improving litigation management;
- Ensuring cost effectiveness through automation;
- Rationalizing tax expenditures;
- Promoting research and development;
- Addressing taxation of digital economy; and issues of international taxation.

3.3.2 The goals and objectives provide the overall foundation for the MLTRS, setting the strategic direction and desired outcomes. However, these remain static until they are effectively activated and operationalized through a comprehensive Strategic Framework and Action Plan, as outlined in the following chapter. The Framework and Action Plan will translate these high-level aspirations into actionable steps, ensuring that the MLTRS delivers measurable results and drives meaningful progress toward achieving the established goals.

## **Chapter 4: Strategic Framework**

### **4.1 MLTRS Goals**

A goal-driven MLTRS has been adopted based on NBR's broad legal mandate. Each goal of the MLTRS represents a significant outcome to strengthen the institution's policy and administration and improve service delivery. Achieving the overarching goals to augment domestic resource mobilization requires organic changes in the existing organizational structure of revenue administration in Bangladesh. This paper has identified the following six goals to improve the DRM scenario in Bangladesh:

**Goal 1:** End-to-end automation of NBR's business processes

**Goal 2:** Increase tax-to-GDP ratio to 10.5% by FY2034-35

**Goal 3:** Improve voluntary compliance

**Goal 4:** Close the gap between actual and potential tax revenues

**Goal 5:** Ensure uniformity of practice and enforcement of law

**Goal 6:** Improve integrity and transparency

### **4.2 Combination of MLTRS Goal-Pillar-Action**

Actions have been identified for each goal-pillar combination of the MLTRS and incorporated into the Action Plan, adding strategic value. The strategic framework is built upon the following four interrelated pillars:

**Pillar 1:** Develop an effective policy and legal environment

**Pillar 2:** Modernize NBR administration

**Pillar 3:** Build and develop human capacity

**Pillar 4:** Enhance Taxpayer Services and Voluntary Compliance

Each goal-pillar-action combination is detailed in the following sections and integrated into the Action Plan. The goals and their pillars ensure that actions in one area reinforce and complement those in others. This integrated approach maximizes the collective impact of all actions, crucial for achieving the overarching goals. It will require a strong management and coordination structure, along with a robust monitoring and evaluation approach.

**Goal 2: Increase tax-to-GDP ratio to 10.5% by FY2034-35**

**Goal 1: End-to-end automation of NBR's business processes.**

<p><b>Pillar 1: Develop Effective Policy and Legal Environment</b></p> <ol style="list-style-type: none"> <li>1. Legislative diagnostic to identify global best practices for tax administration.</li> <li>2. Modernize tax statutes and related Acts to facilitate automation and digitisation.</li> </ol>	<p><b>Pillar 3: Build and Develop Human Capacity</b></p> <ol style="list-style-type: none"> <li>1. Establish a Project Management Unit.</li> <li>2. Develop a Comprehensive Human Resource Development and Management Policy that responds to a needs assessment and identifies required resources.</li> <li>3. Development of specialized skills for data-based tax administration.</li> <li>4. Build capacity to modernize processes and restructure NBR (e.g., central units that analyse data vs. region-based administration).</li> </ol>
<p><b>Pillar 2: Modernize NBR Administration</b></p> <ol style="list-style-type: none"> <li>1. A fully automated, integrated, and paperless approach to revenue administration.</li> <li>2. Comprehensive review and integration of Customs, VAT and income tax registry to ensure accuracy and completeness.</li> <li>3. Link related businesses across Customs, VAT and Income Tax.</li> <li>4. Build a powerful data matching capability to verify returns, identify risks, and target compliance actions.</li> <li>5. Obtain third-party data (e.g., financial transactions) and integrate into data verification, registry cleaning, and detecting the unregistered.</li> <li>6. Broaden VAT net by identifying unregistered suppliers above the registration threshold, using linked tax and third-party data.</li> <li>7. Establish a data-driven risk management system to target compliance activities.</li> <li>8. Develop an automated litigation management system for VAT administration.</li> <li>9. Robust and secure computing infrastructure capable of exchanging information with other government systems.</li> </ol>	<p><b>Pillar 4: Enhance Taxpayer Services and Voluntary Compliance</b></p> <ol style="list-style-type: none"> <li>1. Issue new policy guidelines, manuals, and office orders.</li> <li>2. Replace paper applications with online functionality in the tax registration system (e.g., deceased person, change of address).</li> <li>3. Promote use of online returns, TDS platform.</li> </ol>

**Pillar 1: Develop Effective Policy and Legal Environment**

1. Rationalize tariffs and taxes on international trade, with a phase-out plan based on Tariff Policy 2023.
2. Ensure that profits generated by digital businesses are appropriately captured by Bangladesh’s income tax.
3. Adopt internationally agreed VAT standards and guidance on taxing supplies by non-resident businesses in Bangladesh.
4. Ensure comprehensive taxation of investment income, including capital gains for real property. Assess potential role for inheritance or wealth taxation.
5. Rationalize income tax expenditures and VAT expenditures for individual supplies of goods or services.
6. Phase out VAT exemptions for a certain stage (e.g., manufacturing), sector (e.g., SEZs), or entity/project (e.g., non-profit organizations, fast-track projects).
7. Require all suppliers of specified professional services to register for VAT (e.g., lawyers, accountants, engineers, architects).
8. Restructure approach to tobacco taxation.

**Pillar 2: Modernize NBR Administration**

1. Verify all VAT input tax credit claims and pay refunds within 30 days of a return being filed.
2. Develop an integrated NBR Tax Policy Wing to lead on economic analysis, revenue forecasting, legislative development, and tax expenditure reporting.

**Pillar 3: Build and Develop Human Capacity**

1. Develop a unit for VAT on the digital and shared economy, including cross-border services.
2. Invest in development of NBR’s Research and Statistics Wing to lead on tasks such as tax gap analyses, developing algorithms for automated audit selection, and refund forecasting.

**Pillar 4: Enhance Taxpayer Services and Voluntary Compliance**

1. Develop a simplified VAT registration and payment system for non-resident suppliers.

**Goal 3: Improve voluntary compliance.**

<p><b>Pillar 1: Develop Effective Policy and Legal Environment</b></p> <ol style="list-style-type: none"> <li>1. Simplify the policy and legislative framework so it is easier for taxpayers, particularly MSMEs, to understand and comply with their obligations.</li> <li>2. Consultation prior to major legislative changes.</li> </ol>	<p><b>Pillar 3: Build and Develop Human Capacity</b></p> <ol style="list-style-type: none"> <li>1. Training framework for tax officers on how to support voluntary compliance.</li> <li>2. Expand Customs, Excise and VAT Training Program to provide training for importers and registrants.</li> </ol>
<p><b>Pillar 2: Modernize NBR Administration</b></p> <ol style="list-style-type: none"> <li>1. Improve taxpayer interface for electronic filing and payment.</li> <li>2. Adopt digital platforms to share taxpayer data within NBR to reduce requests to taxpayers.</li> <li>3. Develop Customs' cooperation with international organizations and key bilateral partners.</li> <li>4. Develop a professional public relations and communication unit.</li> </ol>	<p><b>Pillar 4: Enhance Taxpayer Services and Voluntary Compliance</b></p> <ol style="list-style-type: none"> <li>1. Conduct a diagnostic assessment on reasons for non-submission of tax returns.</li> <li>2. Develop targeted messaging in appropriate mediums to explain tax and other regulatory obligations.</li> <li>3. Provide plain language taxpayer handbooks and FAQs on tax provisions, how to file, how to pay, etcetera.</li> <li>4. Provide training to VAT and income taxpayers about the submission process for returns and payments.</li> <li>5. Create effective working relations between Customs and key traders and importers.</li> <li>6. Introduce a National Enquiry Point for VAT.</li> <li>7. Voluntary disclosure program to address disincentive for compliance.</li> <li>8. Introduce online refund claiming with direct deposit to bank accounts.</li> </ol>

**Goal 4: Close the Gap between Actual and Potential Tax Revenues**

**Pillar 1: Develop Effective Policy and Legal Environment**

1. Phase-out any VAT rate other than the standard rate.
2. Reduce opportunities for avoidance and evasion through simplification and a reduction in exemptions, incentives and loopholes.
3. Introduce new specific anti-avoidance rules for the income tax (e.g., treaty shopping) and requirements for sectors or transactions with high probabilities of under-reporting.
4. Re-evaluate penalties to ensure effective disincentives for tax evasion and non-compliance.
5. Aggressively pursue collection and reduce arrears.

**Pillar 3: Build and Develop Human Capacity**

1. Establish risk mitigation and management practices, including data-based risk profiling to target compliance activities.
2. Build analytical skills (e.g., transfer pricing, data analytics) through training existing staff or hiring specialized technical staff.
3. Strengthen capacity for asset and debt recovery.
4. Strengthen domain specific functional capacity and establish specialized functional units where appropriate. Areas include illicit financial flows, anti-money laundering, transfer pricing, aggressive tax planning, and Customs valuation and classification.
5. Support exposure to international best practices.
6. Provide access to relevant advanced degrees.

**Pillar 2: Modernize NBR Administration**

1. Develop e-invoice system and utilize it to verify input tax credit and VAT withholding.
2. Utilize tax gap analysis to develop an action plan to address identified gaps.
3. Implement an updated Customs Modernization Strategic Action Plan.
4. Develop and implement modernization plans for VAT and income tax.
5. Develop tax collection innovations to capture tax revenues from high-net-worth individuals and segments of the informal sector.
6. Develop separate risk management Unit for income tax and VAT.
7. Establish a maritime enforcement unit, strengthen enforcement capacity to prevent smuggling and acquire appropriate detection and analysis equipment.

**Pillar 4: Enhance Taxpayer Services and Voluntary Compliance**

1. Focus on higher risk importers through utilization of Trusted Partner Programs and Authorized Economic Operator mechanisms.
2. Develop an action plan for promoting formal transactions (e.g., electronic) and a cashless economy.

**Goal 5: Ensure Uniformity of Practice and Enforcement of Law.**

<p><b>Pillar 1: Develop Effective Policy and Legal Environment</b></p> <p>10. Maintain consistency in tax policy with respect to changes in tax rates and thresholds.</p> <p>11. Strictly limit use of supplementary duties and focus on a broad-based VAT with fewer rates.</p> <p>12. Ensure fees and charges are commensurate with the administrative cost incurred for providing the service.</p> <p>13. Revisit existing Double Taxation Avoidance Agreements to ensure consistency.</p>	<p><b>Pillar 3: Build and Develop Human Capacity</b></p> <p>1. Provide regular and adequate training on tax laws, accounting, nature and process of different types of business, and relevant regulations, policies and procedures.</p> <p>2. A modern training academy with highly skilled trainers in each domain and a digital platform for knowledge sharing.</p>
<p><b>Pillar 2: Modernize NBR Administration</b></p> <p>14. Consistently confirm Proof of Submission of Return (PSR) before providing all government services and specified private sector services.</p> <p>15. Integrate consultations with government agencies, private sector representatives, and non-governmental organizations into policy formulation.</p>	<p><b>Pillar 4: Enhance Taxpayer Services and Voluntary Compliance</b></p> <p>1. Ensure that all SROs, interpretations, rulings, and legal judgements are publicly available, online, indexed, and accessible with an effective search engine.</p> <p>2. Publish changes in rules and regulations before they are implemented, as per the law.</p>

<b>Goal 6: Improve Integrity and Transparency.</b>	
<p><b>Pillar 1: Develop Effective Policy and Legal Environment</b></p> <ol style="list-style-type: none"> <li>1. Only Parliament should be allowed to authorize duties and taxes exemptions or zero-ratings, repeal the delegated authority to authorize tax exemptions</li> <li>2. Ensure that trade facilitation reforms do not compromise Customs control objectives.</li> <li>3. Estimate and publicly report the revenue impact of tax policy measures.</li> </ol>	<p><b>Pillar 3: Build and Develop Human Capacity</b></p> <ol style="list-style-type: none"> <li>1. Organize peer-to-peer learning that crosses over structural wings.</li> <li>2. Conduct training programs emphasizing the importance of ethical conduct, anti-corruption measures, and professional ethics.</li> <li>4. Conduct leadership development training.</li> <li>3. Modernize and expand physical infrastructure, including: the training academies; and seized goods warehouses.</li> <li>4. Reward extraordinary performance, incentivize high performance, and address non-performance.</li> <li>5. Enhance auditor’s professional quality</li> </ol>
<p><b>Pillar 2: Modernize NBR Administration</b></p> <ol style="list-style-type: none"> <li>1. Comprehensively implement electronic returns and digital payments to reduce human interactions and corruption vulnerabilities.</li> <li>2. Develop and implement an internal audit manual.</li> <li>3. Establish clear and measurable goals and expectations for tax officials and monitor outcomes.</li> <li>4. Performance evaluation of field offices on revenue targets, service quality, and innovation of business processes.</li> </ol>	<p><b>Pillar 4: Enhance Taxpayer Services and Voluntary Compliance</b></p> <ol style="list-style-type: none"> <li>1. Promote the role and use of the Grievance Redress System.</li> <li>2. Use taxpayers’ electronic database for communication (e.g., serve notices through email/SMS), virtual hearings, appeal applications, etcetera.</li> </ol>

### 4.3 Reforms for Revenue Enhancement

#### 4.3.1 Reforms required for developing Effective Policy and Legal Environment –

##### Pillar 1

To promote domestic resource mobilization in Bangladesh, several policy and legal changes can be considered. These changes aim to enhance revenue generation, attract investment, and create an enabling environment for economic growth. Below are some major policy and legal changes that are required to support the NBR in domestic resource mobilization:



### **a) Reducing Tax Expenditure**

There is significant potential to reduce tax expenditure. The proliferation of exemptions in income tax and VAT, waivers, rebates, deductions, tax holidays, and deferrals over the last decade has negatively impacted revenue mobilization. Yet, there is no clarity on possible steps to contain such measures. The underlying rationales behind providing such measures, like creating growth opportunities for promising sectors and attracting local and foreign investments, need to be revisited regularly to identify areas where incentives are not working efficiently, so they can be withdrawn. Suggestions to introduce tax incentives in different policy documents (e.g., Finance Act, FYP, export policy, industrial policy etc.) should also consider their negative effects on revenue mobilization. The number of SROs provided after the budget and offers of tax exemptions given on an ad-hoc basis needs to be reduced to maintain policy consistency.

Due to the lack of proper quantification of revenue loss from such incentives, it has been difficult to take concrete actions. However, there are several challenges in both conducting tax expenditure analysis and reducing them. The lack of access to reliable micro-level data is a significant challenge. Hence, the MLTRS asks for a full automation of the revenue administration. The political commitment and support are also required to reduce existing tax expenditures, as the beneficiaries of these expenditures are often very influential or politically sensitive to such reforms. The MLTRS suggests working closely with technical assistance windows to rationalize tax expenditure in Bangladesh.

### **b) Addressing the Revenue Gap**

It is assumed that there is a significant gap between actual revenue collected and the potential revenue that can be collected. However, it is difficult to determine whether this disparity is due to compliance issues or tax policy. Therefore, policy decisions often lack an evidence-based approach, leading to comparatively low revenue mobilization. To identify critical reforms to close the gap, including evaluating the compliance of a particular sector, segment, or industry, it is crucial to conduct tax gap analysis regularly. This analysis would help the NBR compare the relative sizes of the compliance gap and policy gap, and the proportionate contributions of these factors to the tax gap. This foundational analysis would also assist NBR in prioritizing reforms.

### **c) Ensuring Consistency in Tax Policy**

Ensuring consistency in tax policy in Bangladesh is a crucial factor for promoting economic growth and development. Tax policy affects allocation of resources, distribution of income, incentives for investment and innovation, and fiscal sustainability of the government. However, tax policy in Bangladesh has been characterized by frequent changes undermining its effectiveness and efficiency. To address these challenges, Bangladesh may adopt a comprehensive tax reform agenda that simplifies the tax system, broadens the tax base, reduces tax evasion and avoidance, and enhances tax compliance. Also, the sustainability and consistency of the tax regime is crucial in facilitating tax planning and attracting investments.

#### **d) Countering Revenue Leakages and Illicit Financial Flows**

Reassessing the tax base and addressing revenue leakages are crucial for enhancing revenue generation. Revenue leakage undermines the government's fiscal capacity. The Financial Action Task Force (FATF) also recommends enhancing anti-money laundering and counter-terrorist financing systems. Key measures to counter this issue include:

- I. **Establishing Specialized Units for Preventing Mis-invoicing and Transfer Pricing:** Mis-invoicing has been a crucial issue in recent times. According to GFI reports, trade-based money laundering covers more than 70% of the total money laundering cases. A specialized office can be very effective in dealing with these cases which require specialized skills and competencies. The NBR administration should establish specialized units to combat mis-invoicing and transfer pricing. These units shall be responsible for investigating and preventing fraudulent invoicing practices and ensuring compliance with transfer pricing regulations. The establishment of these units may enhance the NBR's capacity to tackle illicit financial flows and protect revenue.
- II. **Creating Attaché Posts in Foreign Missions:** Mis-invoicing and transfer pricing possesses a massive challenge to the overall economy of Bangladesh. For the valuation purposes, Customs needs to check the value of the import and export goods for determining duties and taxes. But Customs has hardly any mechanism to get the value of the imported goods from the exporting countries. This often leads to more mis-invoicing including under-invoicing and over-invoicing. As a result, the Government is losing revenue and at the same time capital flight is also taking place through illicit ways and means. If NBR can have attaches in the foreign mission in major trading partner countries, they can get the price of the goods from the exporter level which will be a very effective way to curb mis-invoicing and money laundering. Many countries including USA, France, Japan, India are utilizing this mechanism in curbing money laundering and transfer pricing. Therefore, it is necessary to create attaché posts for NBR officials in missions of the major trading partner countries and countries where capital flights frequently occur. These posts aim to prevent commercial fraud, capital flights, transfer-pricing, trade-based money laundering, and terrorist financing. Attaches may be stationed in foreign missions to gather and share relevant information, strengthen cooperation with foreign counterpart authorities, and contribute to the prevention of illicit activities.
- III. **Recovery of Undisclosed and /or Stolen Offshore Assets** Recovering stolen assets is a complex and challenging process for Bangladesh. Despite having provisions in Income Tax Act, 2023 the recovery of stolen assets remains difficult due to inexperience of recovery procedures, the absence of taskforce and lack of

cooperation from foreign jurisdictions. According to the Financial Action Task Force (FATF) recommendations of 2012-2023 and the suggestion of Organization for Security and Cooperation in Europe (OSCE), countries should implement such measures to enhance their anti-money laundering and counter-terrorist financing systems through training and education of relevant stakeholders (U.S. Mission OSCE, 2012). Improving human resources, creating overseas monitoring post in relevant countries, signing MoUs with International Investigation Agencies to combat illicit financial flows as well as developing mechanisms for tracing assets and imposing penalties for those involved in money flight helps to prevent the illegal outflow of capital and assets.

To improve compliance and collection, additional measures include:

- **Risk Profiling:** Identify and scrutinize likely tax evaders, such as large corporations and wealthy individuals.
- **Inter-Agency Cooperation:** Prevent revenue leakage from illegal activities and trade-based evasion.

#### **e) Ensuring Fair Amount of Tax from High-Net-Worth Individuals**

Taxing high-net-worth individuals (HNWIs) requires focused and effective management of their complex financial affairs. The National Board of Revenue (NBR) will consider introducing a system to monitor and enforce compliance among HNWIs. Additionally, tax rates for individuals may be revisited to ensure a higher tax incidence on HNWIs.

#### **f) Addressing International Tax Issues**

Bangladesh faces challenges in international taxation, including double taxation, VAT treatment on cross border service importation and e-commerce VAT and tax evasion, and transfer pricing, VAT carousel fraud, which hinder revenue collection and economic development. To address these, the country should revisit and update tax treaties, adopt BEPS standards to prevent profit shifting, and strengthen tax administration in areas such as transfer pricing and dispute resolution. Active participation in regional and global forums like SAARC, ADB, and OECD, along with the development of a balanced tax policy framework, is essential to enhance cooperation and ensure revenue mobilization, equity, and economic growth. These measures will safeguard Bangladesh's fiscal interests and improve its investment climate. Moreover, the management of double taxation avoidance agreements (DTAAs), Mutual Recognition Agreement (MRA) and Customs Mutual Administrative Assistance (CMAA) require careful review to align with global trends that prioritize the interests of developing, capital-importing countries. A balanced approach and a comprehensive tax policy framework focusing on revenue, equity, and simplicity will enhance the tax system, ensure fairness, and adapt to international tax changes.

### **g) Rationalizing Tariffs and Para-Tariffs**

Rationalizing the existing tariff structure as per the Tariff Policy, 2023, to reduce para-tariffs and address the anti-export bias will support competitiveness. The Tariff Policy, 2023, identified that the current tariff policy, with the proliferation of para-tariffs like supplementary duty and regulatory duty, promotes protectionism and creates an anti-export bias, particularly for non-RMG products. The development of other fast-growing economies suggests that such policies are not well-suited to achieving faster growth over long periods. Para-tariffs could be reduced in phases with a time-bound and performance-based approach.

An action plan to implement the National Tariff Policy 2023 will be developed in consultation with the Trade and Tariff Commission. While reducing para-tariffs may lower revenue collection in the short term, it will ultimately provide the necessary boost for export diversification and economic growth, which in turn will raise revenue collection from other sources in the medium to long term. Moreover, reduced tariffs would also lower the tendency of under-invoicing to evade customs duty, thus minimizing illicit fund transfers. The new Customs Act and an action plan for the Tariff Policy may address these issues.

### **h) Simplifying legal framework to expand tax net and focusing on the growing SME sector**

The small and medium scale enterprises (SMEs) can be described as the engines of economic growth in developing countries. In Bangladesh, most of the revenue tends to be collected from few of the large taxpayers while the base for small and medium taxpayer is quite broad and may be a good potential source of revenue in this growing economy. However, it is perceived that SME entrepreneurs find it difficult to comply with the tax laws and often find a way out to remain outside of the tax net. The VAT and Supplementary Duty Act, 2012 provides the SME enterprises having annual turnover between 5 million BDT and 30 million BDT to pay turnover tax at the rate of 4 percent and hence the VAT net is not broad based. Necessary legal changes should be made to increase the tax net by lowering the VAT registration threshold and ensuring simplified compliance structure for the SME enterprises. Moreover, the income tax law needs to be simplified for the SMEs and small capital businesses in Bangladesh with a view to lowering their tax burden, promoting their formalization, increasing their competitiveness and efficiency, and broadening the tax base in the long run.

### **4.3.2 Reforms required for Modernizing NBR Administration – Pillar 2**

#### **a) Institutional Reforms of NBR**

NBR is embarking on a significant institutional reform to separate tax policy from tax administration. Advisory council has already approved a policy decision to separate tax policy from tax administration. Subsequently, a detailed implementation plan will be framed to make separation of tax policy and tax administration fully operational. The proposed tax policy and tax administration will be staffed by officials experienced in revenue management including external experts in relevant fields.

#### **b) Modernizing Research and Statistics Wing**

The MLTRS emphasizes enhancing capabilities in data analytics and revenue forecasting to achieve the targeted tax-to-GDP ratio. Data analytics is the most significant tool to use big data captured through IVAS and other systems. Currently, NBR is hardly using the data available through its online systems. Stakeholders at FGDs identified that the NBR can enhance its efficiency by utilizing these big resources of data. The NBR must leverage big data analysis techniques to enhance data-driven decision-making processes. Poor revenue forecasting, often done outside NBR without systematic analysis, contributes to missed revenue targets. To address this, the Research and Statistics Wing will be strengthened to conduct research on tax gap, tax expenditure, and revenue forecasting and compile SROs, Orders, and Guidelines annually, making them available on the NBR website for better dissemination and accessibility.

Additionally, establishing a Policy Analysis Centre under the planned Revenue Division with necessary logistics and the ability to hire experts like economists, statisticians, financial analysts, and IT personnel, including on short-term contracts, will be crucial

#### **c) Conducting Diagnostic Study for Adopting Global Best Practices**

Diagnostic study is an effective tool to identify the gap between existing practices and best international practices. Stakeholders, in key informant interviews (KII) and focus group discussions (FGD), suggested NBR to conduct comprehensive diagnostic study to find out the deviation from the best international practices in both wings of indirect tax. Therefore, the NBR should conduct comprehensive diagnostic study periodically to identify and adopt global best practices in revenue management. It should involve reengineering existing business processes to align with international standards. The findings of the diagnostic study need to be published and shared with the relevant government agencies along with development partners to facilitate the implementation of global best practices.

#### **d) Implementing Automated Tax Services**

To implement automated tax services, a fully electronic tax system needs to be introduced that will ensure increased transparency. Online Return and documents submission will make

the system effective. Communication of orders, acknowledgement receipt, demand notice and certificates through the virtual channel will bring in efficiency. In the process, a comprehensive database can be established which will contain records for quick data retrieval. All this data can provide valuable information for research-based program rollout. Virtual Attendance or hearing before income tax authority or Appellate Tribunal will reduce taxpayer footfall in tax offices and save their time and cost. Furthermore, an automated audit selection process will eliminate the scope for negotiated settlements. These measures would help to create a more efficient and user-friendly tax environment, thereby promoting a culture of voluntary compliance and establishing a relationship of mutual trust and respect between tax payers and tax collectors.

#### **e) Establishing Fully Automated and Integrated Customs System**

Customs lack fully integrated and automated systems that hinder achieving the goals of smart and paperless customs. Currently, NBR is using ASYCUDA World system for Customs clearance in which declaration can be submitted online, but supporting documents needs to be submitted manually in hard copies. This can be treated as partial automation. Stakeholders in FGD identified this as a cost-increasing factor and suggested integrating and exchanging information among these systems. NBR should also ponder developing its own homegrown software system for Customs clearance in the long run which can replace ASYCUDA world to leverage customized solution services, achieve greater security and efficiency. The NBR should aim to achieve a fully integrated and paperless customs environment through implementing a single window. This involves implementing automated systems that facilitate seamless customs processes and eliminate the need for paper documentation. This will also reduce the customs clearance time along with reducing the cost of doing business. The following key actions should be taken:

- Introducing Automated Risk Management System by Using AI
- Introducing Automated System for Parcel and Documents Clearance through Cross- border Postal Services
- Strengthening the E-Auction System
- Introducing E-Customs Broker Management System:
- Introducing Cross-border E-commerce Management
- Introducing API/PNR Systems for Passengers' Movement:
- Conducting Periodic System Audit

#### **f) Introducing Comprehensive e-Invoicing**

MLTRS paper emphasizes on the introduction of comprehensive nationwide centralized VAT E-Invoicing for Automated and Transparent VAT Collection in Bangladesh that will facilitate real-time VAT calculation, reporting, payment and compliance across businesses in Bangladesh to increase revenue collection efficiency and minimize tax evasion. All invoices generated from businesses need to be tracked & authenticated through establishing

connectivity with NBR's central system with the systems used by the businesses. This would prevent any attempt to take false rebate by the businesses and their total sales would be recorded systematically.

### **g) Taxing Digital Economy**

The digital economy in Bangladesh encompasses three key components: the domestic market (e.g., e-commerce, F-commerce, IT-enabled services), the global market interface (e.g., export of digital services, freelancing), and the presence of global digital platforms (e.g., Facebook, Google). In 2022, Bangladesh's B2C e-commerce market was valued at USD 6.6 billion and is projected to reach USD 10.5 billion by 2026. The ICT sector, a priority for Bangladesh, aims to export USD 5.0 billion worth of IT products and services by 2025.

To ensure fair taxation, the expanding digital economy will come under appropriate tax measures. In 2022, major tech companies like Google, Facebook, Amazon, Microsoft, and Netflix earned BDT 442 crore from Bangladeshi advertisements, paying BDT 66 crore in VAT. However, these non-resident entities exploit section 166 of the Income Tax Act, 2023, which requires a permanent establishment (PE) for tax return submission, thus avoiding tax filings in Bangladesh.

Digital economy is booming now a days. E-commerce and e-services are rapidly increasing. Stakeholders at FGDs identified that capturing the transaction data and understanding the dynamic modus operandi of the electronic businesses is a challenge for VAT authority. Due to the lack of efficiency, NBR is lagging in monitoring and collecting legitimate VAT. To capture the VAT-able transaction and collect legitimate VAT, NBR should establish and operationalize a cell named VAT on Digital Economy Cell. This dedicated cell can focus on managing VAT-related matters concerning the digital economy.

### **4.3.3 Reforms required for Developing Human Capacity – Pillar 3**

Effective human resource management is crucial for the success and efficiency of any organization, and the National Board of Revenue (NBR) in Bangladesh is no exception. However, the current scenario of human resource management at NBR presents several challenges that hinder the development and effective utilization of human capital within the organization. The key challenges include: i) lack of multiyear strategic planning; ii) poor data management; iii) limited analytical ability; iv) lack of adequate training etc. However, by implementing a series of targeted activities given below, NBR can address these challenges and foster the improvement of human resource development.

#### **a) Developing a multiyear Strategic Plan for Human Resource Development**

NBR lacks a multiyear strategic plan for human resource development. Without a clear roadmap, it becomes difficult to align human resource activities with organizational goals and optimize the workforce's potential. In order to identify the required reforms and training needs, NBR should conduct a needs assessment study. This study will provide valuable insights into the organization's human resource needs, enabling the development of targeted interventions and initiatives that align with the organization's goals.

## **b) Developing a comprehensive Human Resource Management Policy**

Developing a comprehensive Human Resource Management Policy (CHRMP) is crucial for NBR as it will help align the human resource management practices of the NBR with its strategic objectives. It ensures that HR initiatives, policies, and practices are in line with the overall goals and priorities of the organization. The CHRMP emphasizes employee development and training initiatives and it outlines strategies for identifying training needs, designing training programs, and providing opportunities for professional growth and career advancement. By investing in employee development, the NBR can enhance the skills, knowledge, and competencies of its workforce, leading to improved performance, increased productivity, and the ability to adapt to changing business requirements.

## **c) Enhancing Capacity Through Structured Training Programs**

Training is essential for both individual and institutional development, but the current approach for NBR officials lacks strategic planning. While foundation training is provided at the start of their career, ongoing training is irregular and not need-based. An annual training program should be developed to address organizational priorities and individual requirements. Based on a need assessment, NBR must create a capacity-building program combining academic and professional elements, focusing on specialized skills like taxation, finance, auditing, and data analytics. This approach will equip officials with the expertise to perform effectively. Moreover, currently there is no learning platform for revenue officials to share knowledge, relevant information and study the best practices and case studies of the department. NBR should create an e-learning and knowledge-sharing platform to facilitate the sharing of relevant information, best practices, and case studies among officers. This platform will provide a convenient and accessible avenue for continuous learning and development.

## **d) Developing Pool-Based Specialization**

NBR can effectively address complex and evolving tax challenges through pool-based specialization. Pool-based specialization can be formed by categorizing revenue officials into specialized "pools" or teams, each focusing on a particular aspect of taxation such as digital tax, enforcement, investigation, prosecution, TDS monitoring, taxpayer service, transfer pricing, international tax, Customs classification, valuation, risk management, VAT audit, post clearance audit, data analytics etc. This approach fosters specialization and expertise and enhances collaboration and knowledge sharing among team members. It also contributes to the overall effectiveness, efficiency and agility of the revenue departments.

## **e) Establishing a Learning and Knowledge-Sharing Platform**

NBR officials do not have a learning platform that would enable them to share their expertise, access pertinent information and learn from the best practices and case studies. To address this gap, NBR can develop an e-learning and knowledge-sharing platform that will enable officers to access and exchange relevant information, best practices, and case



studies. This platform can be a great way for continuous learning and professional development of tax officials.

#### **f) Addressing HR Challenges with Centralized Record-Keeping**

Ineffective record-keeping undermines human resource management by making it difficult to evaluate training outcomes and monitor officer progress. To resolve this, NBR should implement HR management software for centralized tracking of employee training records, certifications, and related data. This solution will ensure streamlined, accessible, and reliable management of essential training information.

#### **g) Strengthening NBR Through Strategic Collaborations**

Partnerships with revenue administrations, Customs authorities, tax professionals, business associations, and academic institutions will benefit NBR by facilitating knowledge exchange, capacity building, and training initiatives. These collaborations enable evidence-based policy development, cross-border enforcement, and improved practices. Stakeholder consultations have shown interest in data-sharing to support capacity building. Academic and research partnerships provide critical insights for policy reform, while cooperation with Customs and revenue bodies aids in combating tax evasion and illicit trade through shared intelligence and enforcement strategies.

### **4.3.4 Reforms required for enhancing taxpayers' services and voluntary compliance – Pillar 4**

#### **a) Improving Taxpayers' Services through Automation**

Taxpayers often face difficulties and delays with tax procedures, undermining trust, compliance, and revenue collection, and slowing economic growth. To Enhance Taxpayer Services, NBR will adopt a customer-oriented, transparent approach simplifying the business processes, enhancing accountability of tax officials and promoting the use of digital technologies and online platforms. These measures aim to create an efficient, user-friendly tax environment, fostering voluntary compliance and mutual trust between taxpayers and tax collectors.

An automated, interoperable, and cost-effective tax service delivery system will leverage technologies such as AI, and Cloud Computing to simplify the tax return filing process, reduce administrative burdens, enhance transparency and accountability and improve compliance and boost tax collection. The benefits of automation include saving time and money for both taxpayers and tax administration, increasing the tax base and revenue, fostering trust and cooperation, and contributing to the country's economic growth and development.

#### **b) Enhancing Compliance and Partnerships Through Training and Institutional Collaboration with Stakeholders and Business Community**

To improve compliance and reduce legal disputes, NBR should conduct targeted training, seminars, and workshops for the business community, fostering better understanding of laws and promoting voluntary compliance. Partnerships with businesses currently lack structure and need institutional frameworks for effective communication and grievance resolution. Additionally, inadequate stakeholder training on laws and procedures hinders coordinated border management and other compliance issues in revenue matters. Addressing this requires national-level training and awareness programs organized by the NBR, as well as localized workshops by field offices to equip stakeholders with essential knowledge and skills.

#### **4.4 MLTRS Action Plan**

The MLTRS Action Plan is structured around four pillars within the strategic framework, covering VAT, customs, and income tax. These pillars support the implementation of the MLTRS strategic objectives, aligning with the overarching goal as part of the strategic priority framework.

A detailed MLTRS Action Plan (Annex D) outlines the pathway for NBR to achieve its goals.

The designated actions under each of the four pillars are organized as follows:

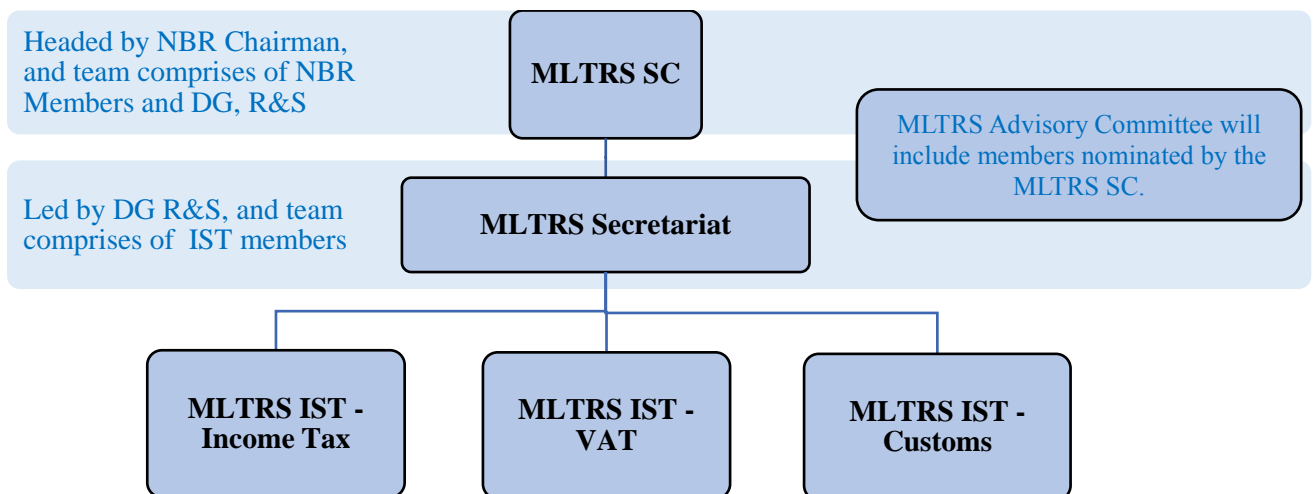
- **Crosscutting actions:** Address the needs of the entire NBR, rather than focusing on a specific wing. These represent the majority of activities and actions under the MLTRS.
- **Direct tax actions:** Aim to improve the experience of taxpayers and streamline the work of the Income Tax Wing.
- **Indirect Tax Actions:** Build upon considerable prior experiences in the Customs and VAT Wing.

## Chapter 5: Leadership and Institutional Arrangements

The achievement of the MLTRS's goals and strategic objectives relies on a robust implementation arrangement through country systems. This institutional mechanism includes: (a) the MLTRS Steering Committee (SC) chaired by the Chairman, NBR, (b) the MLTRS Secretariat led by the Director General, Research and Statistics Wing, and (c) Implementation Support Teams (IST) led by officials from the Customs, VAT, and income wings. Additionally, an Advisory Committee will be formed with members nominated by the SC. The implementation arrangements encompass the following key elements:

- Governance structure, roles, and responsibilities;
- Monitoring and evaluation system;
- Budget;
- Change management;
- Communication; and
- Risk and mitigation framework.

**Figure 8: Governance structure for MLTRS implementation**



### 5.1 Roles and Responsibilities

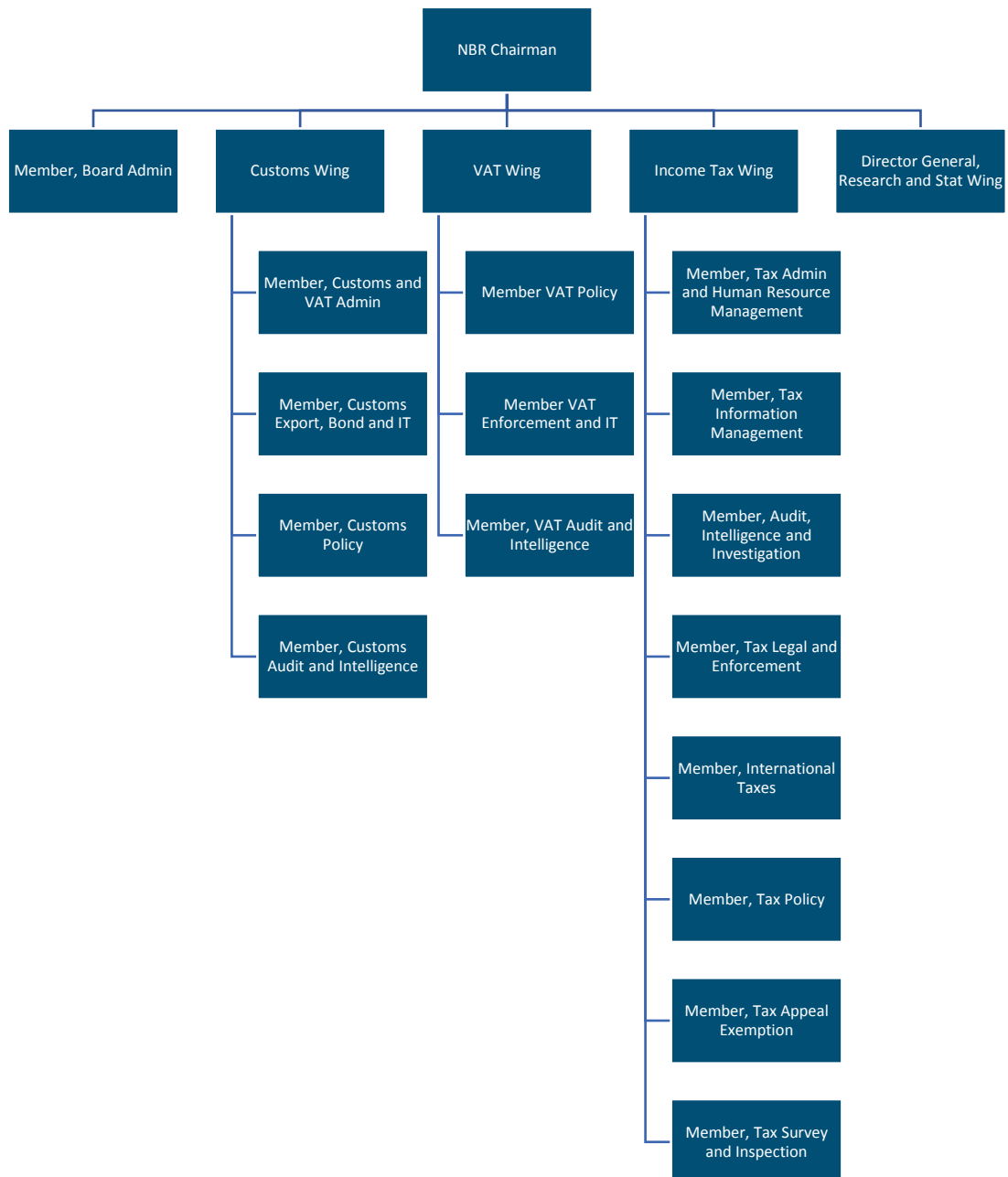
#### 5.1.1 MLTRS Steering Committee

The MLTRS SC chaired by NBR Chairman and comprises all NBR Members and Director General, Research and Statistics Wing. The MLTRS SC's mandates are as follows:

- Lead MLTRS preparation, including oversight and setting direction as well as coordinate with the authorizing environment.
- Oversee implementation progress during MLTRS preparation as well as implementation, approaches, and stakeholder communication.
- Create a conducive enabling environment for the DRM change to happen.
- Review the MLTRS Action Plan implementation status and the progress toward results.

- Decide on possible course corrections based on implementation lessons during both the MLTRS preparation and implementation process.

Figure 9: MLTRS Steering Committee



### 5.1.2 MLTRS Support and Liaison for Implementation Monitoring and Evaluation

The MLTRS implementation monitoring and evaluation will be facilitated by the Director General, Research and Statistics wing, supported by ISTs comprising officials from the VAT, income tax, and customs wings. The mandates of the support and liaison are as follows:

- Support the Chairman and Board in developing a framework for NBR multi-year strategic plan, high-level objectives, and outcome-based measures of success. This plan will include specific quantitative milestones, which the Secretariat will break down into the annual work plan for better monitoring and accountability, including an inventory of proposed legal framework reforms.
- Liaise with functional departments (CIC, LTU, and regional Commissionerate) to obtain input for the strategic plan.
- Prepare a draft of the strategic plan for consideration by the Chairman and Board, and work under their direction to finalize and publish the plan.
- Ensure NBR-wide consistency in performance reporting methodologies, monitor performance against strategic plan objectives, and report to the Chairman and Board at predetermined intervals.
- Coordinate the preparation of NBR annual operating plan and individual operating plans of internal stakeholders, ensuring a consistent format across NBR. The annual operating plan will clarify additional data needs, define tasks more clearly, include timelines, and assign responsibility for stronger accountability.
- Prepare NBR Annual Performance Agreement (APA) for approval by the Chairman and Board and transmission to the Ministry of Finance. Promulgate individual APAs to internal stakeholders.
- Receive performance reports and analyses from internal stakeholders in electronic format and produce summary performance reports for the Chairman and Board, highlighting outstanding performance and risks to achieving NBR strategic objectives and APA targets at agreed intervals.
- Prepare annual report and, upon approval, arrange publication. Report on corporate performance indicators such as cost of collections and revenue performance.
- Prepare a register of ongoing reform projects, detailing project delivery objectives, funding, accountability, and timelines.
- Develop a standard reporting template for progress reporting of each project to the Chairman and Board (or a project management subcommittee), at intervals decided by them. Reporting should be on an exception basis to raise risks and issues and secure key decisions.
- Ensure all projects have risk management plans in place and actively manage delivery risks.
- Support the MLTRS SC in leading and overseeing the MLTRS preparation and subsequent implementation.
- Provide secretarial services to the MLTRS SC to coordinate with the authorizing environment.
- Monitor implementation progress during MLTRS preparation and implementation, providing regular updates to the MLTRS SC.
- Translate MLTRS SC directions into actions for the MLTRS ISTs and follow up to ensure adherence.

- Support the MLTRS ISTs in creating a conducive environment for DRM changes.
- Prepare the MLTRS Action Plan implementation status and progress toward results in collaboration with the ISTs.
- Present the MLTRS Action Plan implementation status to the MLTRS SC and the PFM SC as needed.
- Document MLTRS SC decisions, including possible course corrections based on implementation lessons during both preparation and implementation.
- Identify resources (budget) required for MLTRS implementation arrangements and the PPRMU, including allowances for officials involved in the MLTRS preparation and implementation, following the practice of PECT and PIT for the PFM Action Plan implementation.
- Follow up on MLTRS SC decisions and report compliance (or non-compliance) to the MLTRS SC.

### **5.1.3 MLTRS Implementation Support Team (IST)**

5.1.3.1 The IST will contribute to the preparation and implementation of the MLTRS. Each wing will nominate 10 to 15 officials to work in the ISTs. The broad scope of work for an IST includes:

- Deepen the MLTRS process within the organization.
- Build capacity within the team and extend it to others.
- Internalize capacity for MLTRS technical analyses and stakeholder consultations.
- Enhance readiness for MLTRS implementation.

5.1.3.2 The roles and responsibilities of the IST evolve from an implementation team during the MLTRS preparation process to the IST during the MLTRS implementation. The actual implementation is the responsibility of the office holders (ex-officio) who have the legal authority and competence to take necessary reform actions. The senior-most official at the time will serve as the IST team leader, appraising the performance of each team member in consultation with the heads of the respective wings for the MLTRS scope of annual work. This includes replacing officials who are underperforming. The IST team leader will be assisted by a co-team leader (the second senior-most official) to perform the role in their absence. The IST will act as the focal group for all MLTRS reforms within their respective wings (Customs, Income Tax, and VAT). The IST's mandates are as follows:

- Coordinate with the respective NBR wing to facilitate the MLTRS preparation and implementation.
- Identify and report the resources (including budget) required by the wing to implement MLTRS reforms to the MLTRS Secretariat. The IST team leader will also prepare the budget for IST operations, including allowances for IST officials involved in the MLTRS process.
- Identify new reform needs and support the MLTRS Secretariat in updating the MLTRS.
- Monitor progress during MLTRS preparation and implementation, providing periodic updates to the MLTRS Secretariat.

- Translate MLTRS SC directions into actions for the respective wings and ensure adherence by following up with the heads of the respective functions.
- Support the respective wings and their heads in leading MLTRS reforms, fostering a conducive environment for DRM changes.
- Collaborate with the respective wings to prepare the MLTRS Annual Work Plan implementation status and progress toward results.
- Present the MLTRS Annual Work Plan implementation status to the MLTRS Secretariat or SC as required.
- Document decisions made by the respective wings and their heads, including potential course corrections based on implementation lessons during the MLTRS process.
- Follow up on MLTRS SC decisions and report compliance (or non-compliance) to the MLTRS SC through the MLTRS Secretariat.

#### **5.1.4 MLTRS Advisory Council**

5.1.4.1 The main objective of the MLTRS advisory council is to benefit from an interdisciplinary exchange of ideas on revenue potential and collection strategies. NBR plans to include taxation experts, research organizations, academia, retired tax administrators, trade bodies, public intellectuals, and civil society members in the advisory council. Additionally, NBR may seek participation from former finance ministers and current or past economic adviser(s).

5.1.4.2 The advisory council will serve as an 'idea-generating mechanism,' stimulating innovation in revenue collection. Comprising individuals with broad perspectives, the council will introduce new ideas into NBR's thinking process. Unburdened by implementation responsibilities, they can think creatively, identify new revenue sources, and suggest innovative implementation methods.

## **5.2 MLTRS Monitoring and Evaluation Arrangements**

5.2.1 NBR will enhance coordination, cooperation, and collaboration among the three wings of the National Board of Revenue (NBR) - Customs, VAT, and Income Tax, by adopting multi-pronged approach. This approach will focus on breaking down silos, fostering integration, and promoting joint efforts to ensure seamless operations. Following systems will be implemented to ensure smooth and seamless coordination:

### **a) Automation and Integrated Systems:**

- **Single Data Repository:** Establish a unified taxpayer database that integrates data from Customs, VAT, and Income Tax wings. This will eliminate duplication, reduce errors, and provide a holistic view of taxpayer activities.
- **Integrated IT Systems:** Implement an integrated IT platform that allows real-time data sharing and communication among the three wings. This will streamline processes such as taxpayer registration, return filing, and compliance monitoring.

b) Joint Programs and Collaborative Initiatives:

- Joint Audits: Conduct joint audit programs involving all three wings to address cross-functional issues such as transfer pricing, under-invoicing, and tax evasion.
- Transfer Pricing Audits: Transfer pricing units of both wings will jointly conduct audits that leverages expertise from Customs, VAT, and Income Tax teams to ensure comprehensive scrutiny of multinational transactions.
- Money Laundering Investigations: Collaborate with the Financial Intelligence Unit (FIU) and other relevant agencies to investigate money laundering and other financial crimes, ensuring a coordinated approach.
- Task Forces: Create cross-functional task forces to address specific challenges, such as combating smuggling, identifying tax evasion, and improving compliance.

### 3. Capacity Building and Training

- Cross-Training Programs: Organize training sessions where officials from one wing are trained in the functions and processes of the other wings to foster mutual understanding and cooperation.
- Workshops and Seminars: Conduct regular workshops and seminars to discuss common challenges, share best practices, and build a culture of collaboration.

5.2.2 In Pillar 3 of the MLTRS, which focuses on human capacity development, several actions are centered around capacity development. Development Partners (DPs) can play a pivotal role in supporting these initiatives. A detailed rollout plan for DP engagement can be developed during the implementation stage, ensuring their contributions are aligned with the MLTRS objectives and national priorities.

5.2.3 Office of the DG (R&S) and ISTs will utilize existing government systems for results-based monitoring whenever possible. This continuous process will gather data and compare actual results and key indicators with expected outcomes. The goal is to measure the effectiveness of reform actions and determine when specific targets are met (or not). Monitoring will also provide feedback on progress, enabling decision-makers to make necessary adjustments to improve performance.

5.2.4 Similar technical assistance for coordination, capacity development, and monitoring and evaluation, as built into other technical assistance implementation arrangements, will be used for MLTRS implementation. This includes strengthening governance arrangements and creating an enabling environment, with a program coordinator providing technical guidance and overall management, and specialists in monitoring and evaluation offering technical oversight and coordinating implementation.



- 5.2.5 Annual performance assessments of the MLTRS reform action plans will be conducted. These assessments will review the relevance of targets and expected outcomes, the effectiveness and efficiency of their achievement, any unanticipated effects, and whether the program is the most sustainable and cost-effective means of achieving the intended outcomes. They will also evaluate the continuing relevance of the theory of change and the impact of performance-based allocations and capacity development on driving reforms.
- 5.2.6 Following the evaluation system of the 8FYP, mid-term and final evaluations of the MLTRS can be conducted by a third-party consultant appointed by the government. The mid-term evaluation will help identify any necessary course corrections to achieve better outcomes in line with MLTRS targets.

### **5.3 Budget**

The MLTRS Secretariat and ISTs will jointly assess the operational costs required to implement the MLTRS. The Finance Division will be consulted to earmark funds in the NBR budget for priority activities. Additionally, NBR will collaborate with the Ministry of Finance to secure financing from development partners through credits or grants, as appropriate, to implement mutually agreed activities.

### **5.4 Change Management**

- 5.4.1 The implementation of the MLTRS will likely face strong vested interests, necessitating a robust change management strategy. The MLTRS implementation arrangement addresses this need. Revenue generation is challenged by a low tax base, high evasion, corruption, limited administrative capacity, and the regressive nature of some taxes. Improving tax collection through better administration faces technical challenges such as data sharing, lack of electronic tax filing, absence of a risk-based revenue audit approach, capacity issues, and arrears. Additionally, activities like introducing risk-based revenue audits, addressing arrears, and utilizing data analytics for evidence-based tax policy and administration require a change management perspective, underscoring the need for a change management strategy.
- 5.4.4 One pressing challenge in undertaking the envisaged reforms is the complex political economy landscape of Bangladesh. The attitudes of the politically affiliated Bangladeshi elite towards reforms are crucial. Resistance from private sector actors and politicians must be addressed prudently.
- 5.4.5 The MLTRS change management should actively include stakeholders likely to have reservations. The MLTRS preparation design included key stakeholder consultations to manage the change process. In tax administration, change management should focus on mobilizing internal support by demonstrating clear benefits, implementing targeted pilots, and improving the sequencing of sub-activities. The MLTRS change management is built on the following four pillars:

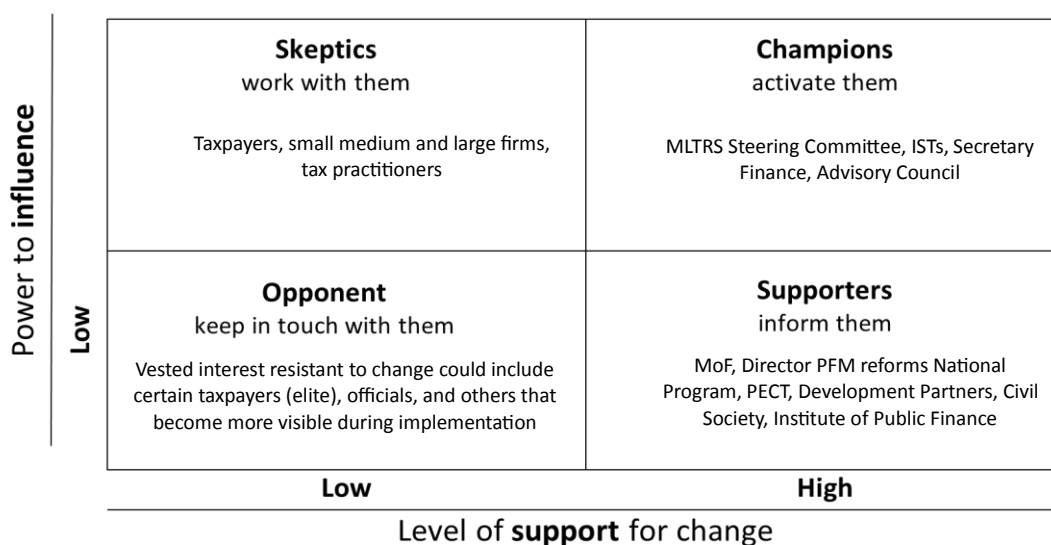
**I. Systematic learning and sharing of good practices:** The MLTRS Secretariat will encourage ISTs to attend and organize knowledge and training events, capturing lessons and good practices during implementation. Research proposals will be solicited to fund DRM-related research needs.

**II. Communication and stakeholder alignment:** The MLTRS Secretariat will actively engage stakeholders, facilitating communication and alignment. Biannual retreats and field inspections will help align MLTRS IST representatives and various stakeholders inside and outside NBR.

**III. Rewarding performance:** The MLTRS Secretariat is exploring ways to motivate ISTs and other stakeholders to adopt new behaviors and practices due to DRM reforms. Although not yet operational, ISTs will be invited to brainstorm on rewarding good performance through monetary and non-monetary means.

**IV. Adaptive leadership skills through coaching:** The MLTRS Secretariat and ISTs will have access to an Implementation Support Consultant (ISC), financed under technical assistance windows. The ISC will facilitate results, help ISTs address challenges, and monitor progress.

**Figure 9: Stakeholder Mapping**



Source: Delivery Associates.

5.4.6 The MLTRS Secretariat will prepare a detailed change management plan detailing specific activities under the four pillars and identify areas needing support or collaboration with the technical assistance windows. This note will be integrated into the annual work plans, clarifying and solidifying the working relationship between governance bodies and promoting close alignment and collaboration.

## 5.5 Communications

- 5.5.1 There will be three communication categories to boost the implementation of the MLTRS, namely, i) Communication for Outreach and Advocacy, ii) Stakeholder Feedback and Engagement, and iii) Support for Consultation, Dissemination, and Technical Forums. These categories encompass both external and internal communication activities, including acquiring stakeholder feedback to improve program design and implementation. The MLTRS Secretariat and ISTs will align communication efforts to maximize synergy with MLTRS goals.
- 5.5.4 Communication for Outreach and Advocacy will involve broadly disseminating the MLTRS Action Plan progress to stakeholders, securing their support, and overcoming resistance. This will highlight innovative solutions addressing DRM inefficiencies, enhancing public service delivery and infrastructure. It will also bolster the government's reputation for economic growth and hold NBR accountable for achieving action plan targets. Communication tools will include:
- A program website with links to MLTRS work, progress, and events
  - Social media platforms (e.g., Facebook, WhatsApp) for sharing documentaries, views, and audio/video commentaries
  - An e-learning platform for government officials and taxpayers
  - Distribution of paper-based reports, pamphlets, booklets, and newsletters
  - MLTRS retreats, field visits, and conferences featuring MLTRS-related content and discussions
- 5.5.5 The communication team will also design and conduct short surveys for selected target groups to gather frontline stakeholder feedback.
- 5.5.6 The absence of effective public liaison and information dissemination creates significant information gaps for NBR stakeholders, including taxpayers and the media, which ultimately hinders NBR's efforts to enhance resource collection. Therefore, the MLTRS recommends the establishment of a dedicated public relations branch within NBR. This proposed branch would oversee the implementation of all taxpayer call centers.
- 5.5.7 The MLTRS Secretariat will support consultations, disseminations, and technical forums related to the MLTRS. The communication team will collaborate with ISTs to organize events and campaigns, advising on design and execution. They will impart skills to influence the knowledge, attitudes, and behaviors of program actors. Additionally, the communication team will provide training to enable ISTs to efficiently and effectively manage their communication activities.

## 5.6 Risks and Mitigation Strategy

5.6.1 During the development of the MLTRS, the drafting team identified several potential risks that could impact the successful implementation and sustainability of the strategy. The following table outlines these identified risks along with the corresponding mitigation measures designed to address and manage them effectively. By proactively recognizing these risks and planning appropriate responses, the team aims to ensure the robustness and resilience of the MLTRS, thereby enhancing its potential for achieving the desired revenue outcomes.

**Table 1: Risk and Mitigation Strategy**

Risks	Mitigating Measures
The 8FYP's 12.3% tax to GDP ratio target is based on a set of very optimistic assumptions.	Develop NBR capacity to enhance the credibility of the revenue forecasting, enabling to provide data and analytical input to the forecasting and estimating processes, to the government budget process.
The 8FYP envisaged tax reform measures need unpacking to show on objective basis, how much revenue growth can be expected by each one of these reforms.	NBR revenue forecasting capacity development for analysis during implementation will help objectively quantify the marginal tax effort required from each of the tax instrument and potential reform measure. Such a capacity is expected to help undertake analysis at the specific tax instrument level and reform measures, based on econometric modelling and data analytics. To this end, specific details will be incorporated as part of the annual work plan preparation by the PPRMU, which is also expected to help that MLTRS is monitored and evaluated in due time.
Continuity of political buy-in for DRM reform.	Fully align the DRM reforms agenda to the country development vision and planning process. Some reforms are mandated and therefore take priority; however, it is important that NBR informs the political debate and can influence these decisions. Impact on the administration and on taxpayers should be considered in the design of new policy. In this regard, the MLTRS SC provide opportunities to respond to the potential risks, as both committees are government owned and led.
NBR's limited ability to implement reforms, as there are many reforms already under way. These activities are not adequately coordinated across NBR and may not be complementary or directed at the highest priority areas.	Short- to medium-term reform priorities need to be identified and require comprehensive analysis. Strategic priorities should be agreed between NBR and government, and this should shape the reform program.
Reform agenda may pose	Reform agenda sequencing must minimize risks. It is often

Risks	Mitigating Measures
potential risks to government fiscal outcomes.	acknowledged that major reforms can result in some level of stagnation of revenue collection. Such risks need to be identified in advance and justified in terms of the expected reform yield in the medium to long term. These expectations should be efficiently communicated to stakeholders to ensure awareness and acceptance before a reform program is initiated.
Evaluation whether the reform measure is strategic or tactical not considered.	The scope of impact should be evaluated for reform measures. Will the reform implementation require contributions from many parts of the organization or is it confined to one or a few areas? Changing an operational procedure such as the rules for instalments will only involve and affect a rather narrow range of NBR staff and can be managed by the areas concerned. But implementation of e-filing cuts across many different units and functions and should be managed strategically.
Low use of online systems in a cash-based economy	Adopt electronic payment systems and the use of data analytics for tax policy and administration decision-making.
Insufficient funding for implementation	Engage development partners for supplementary funding.
Weak monitoring and evaluation	<ul style="list-style-type: none"> <li>• As a priority implementation activity, set the baseline set of indicators for the DRM priority activities to track the DRM progress.</li> <li>• Undertake rolling annual reviews and update the strategy based on the changes.</li> </ul>
Lack of reform sustainability and change management	Efforts could be wasted if reforms are not seen through to the end, that is, to the point where they are embedded into business as usual. Required staff might be moved before the work is complete, and the expertise to maintain and further develop supporting IT systems is not secured. Most importantly though reforms risk failure if staff commitment is not ensured. Change management is critical to overcome this deficiency.
Strategic focus is not maintained	Tax administrations that attempt reforms on too many fronts find that management focus is diffused and outcomes for all projects are weaker. NBR will need to maintain the focus, particularly in view of an emerging revenue administration.

**Annex A: Action Plan (FY2025-26-FY2034-35)  
Medium- and Long-Term Revenue Strategy (MLTRS)**

<p><b>Goal 1: End-to-end Automation of NBR’s Business Processes</b>  <b>Goal 2: Increase tax-to-GDP ratio to 10.5% by FY2034-35</b>  <b>Goal 3: Improve Voluntary Compliance</b>  <b>Goal 4; Close the Gap between Actual and Potential Tax Revenues</b>  <b>Goal 5: Ensure uniformity of Practice and Enforcement of Law</b>  <b>Goal 6: Improve integrity and transparency</b></p>	<p><b>Strategic Pillar 1: Develop Effective Policy &amp; Legal Environment</b>  <b>Strategic Pillar 2: Modernize NBR Administration</b>  <b>Strategic Pillar 3: Build and Develop Human Capacity</b>  <b>Strategic Pillar 4: Enhance Taxpayer Services and Voluntary Compliance</b></p>
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**Strategic Pillar I: Develop Effective Policy & Legal Environment**

Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
<b>Cross Cutting Measures (Direct and Indirect Tax)</b>									
1	<b>Conducting legislative diagnosis of existing policies</b>	Domestic resource mobilization (DRM) continues to underperform relative to its potential. Currently DRM is not aligned with international best practices and the investment climate per existing legislation is not perceived as friendly to business.	Conducting legislative diagnosis of Income Tax, Customs, Excise and VAT related legislations to identify the areas to improve and adopt the best global practices in revenue management on a regular basis.	NBR (Policy wings and R&S)	H	M Q2-2026	<ul style="list-style-type: none"> <li>• TOR for diagnostic prepared</li> <li>• No. of consultations held with stakeholders</li> <li>• Diagnostic Report published</li> </ul>	30	GoB

<sup>2</sup> High priority actions will be commenced from 2025, Medium priority actions will be commenced from 2026.

<sup>3</sup> Medium term = 5 years; Long term = 10 years.

Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
2	<b>Conducting Periodic Evaluation of Legislation and Policies</b>	The current legislative framework is not aimed at meeting the changing needs of the economy and the society	<ul style="list-style-type: none"> <li>Studying the effect of prevalent legislation on society and economy</li> <li>Implement the study findings</li> </ul>	NBR (Policy Units and R&S Wing)	H	M Q4-2026	<ul style="list-style-type: none"> <li>TOR prepared and approved by NBR</li> <li>Study commissioned and focused</li> <li>Study report published</li> <li>Recommendation implemented</li> <li>Enactment of need-based changes by policy or in the law</li> </ul>	45	GoB and / or DP
3	<b>Rationalizing Tax Expenditure</b>	Tax expenditures, which have mostly benefitted the privileged section of the society and industrial sectors account for a substantial loss of GDP. The tax burden is not equitably distributed, which is an impediment to national aspirations. To support the national goal of graduating as a high-income country, the existing tax break schemes that mostly benefit older, established industries need to be reconsidered. Rationalizing tax expenditures will address this concern.	<ul style="list-style-type: none"> <li>Identifying and estimating sector-wise tax expenditure</li> <li>Reviewing and rationalizing tax expenditure and gradually reducing/rationalizing exemptions</li> <li>Collaborating with other ministries (stakeholders) to reduce tax exemptions</li> <li>Developing and implementing SOP for the effective management of tax expenditure</li> <li>Phase out VAT exemptions for a certain stage, sector or entity/project</li> </ul>	NBR (Tax Policy, Customs Policy, VAT Policy)	H	M and L Q2-2027	<ul style="list-style-type: none"> <li>Existing Tax expenditure report analyzed.</li> <li>Report updated and focused on Tax Policy Unit</li> <li>Updated report published</li> <li>Periodical rationalization done</li> <li>Reduction of tax expenditure as share of revenue</li> <li>Develop SOP for NBR to grant any additional TE</li> </ul>	30	GoB and/ or DP
4	<b>Conducting tax gap analysis</b>	It is assumed that there is a substantial gap between actual revenue collection and the	<ul style="list-style-type: none"> <li>Prepare policy framework and TOR for conducting tax gap analysis</li> </ul>	NBR (R&S)	H	M Q1-2026	<ul style="list-style-type: none"> <li>TOR prepared for detailed tax gap analysis by the end of 2025</li> <li>Tax gap analysis report published</li> </ul>	30	GoB

Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
		revenue that can be collected. However, it is difficult to determine whether this disparity is brought on by compliance issues or tax policy. Tax gap analyses have not been conducted yet to identify critical reforms to close the gap, including evaluating the compliance of a particular sector, segment, or industry.	<ul style="list-style-type: none"> <li>• Conduct tax gap analysis studies for all tax types</li> <li>• Engage third party resources and collect relevant study reports</li> </ul>						
5	<b>Taxing Digital Economy</b>	Tax policies and actual tax collection methods have not matched the substantial growth in digital economy, particularly in e-commerce, online services and digital advertising where tax avoidance of evolving digital businesses may be enabled by this gap.	<ul style="list-style-type: none"> <li>• Reviewing existing legislations for taxing digital economy</li> <li>• Building trained manpower for taxing digital economy</li> <li>• Ensure that profits generated by digital businesses are appropriately captured</li> </ul>	NBR	H	M and L Q2-2026	<ul style="list-style-type: none"> <li>• Operational risk-based policies developed and implemented</li> <li>• Relevant legal provisions incorporated in the existing legislation.</li> <li>• Number of digital businesses registered taxed</li> <li>• Amount of tax realized annually increasing</li> </ul>	0	GoB
6	<b>Rewarding Revenue Officials</b>	NBR's existing incentive procedures appear to contribute to integrity risks for some revenue officials which affect	<ul style="list-style-type: none"> <li>• Revisiting existing reward / incentive policy. Focus on non-cash rewards.</li> <li>• Analyzing integrity</li> </ul>	NBR	H	M and L Q2-2027	<ul style="list-style-type: none"> <li>• Analysis of incentives conducted</li> <li>• Revised approach identified and incorporated as NBR HR policies</li> <li>• Revised policy in place</li> </ul>	0	GoB



Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
		revenue collection and tax administration.	risks associated with collection procedures						
7	<b>Consulting Intra Government and relevant Stakeholders in Policy Formulation</b>	NBR needs to formulate pragmatic revenue policies considering a) the priorities and macro-economic needs and constraints of the government, b) the recommendations and expectations of stakeholders, academia and development partners, c) the need to secure partnership in line with SDGs, and d) create a congenial environment for FDI and to ensure ease of doing business.	<ul style="list-style-type: none"> <li>• Increase consultations with government, trade bodies, academia, development partners and other stakeholders</li> <li>• Incorporating and evaluating outcomes of consultations in policy formulation</li> </ul>	NBR	H	M and L Q2-2026	<ul style="list-style-type: none"> <li>• Consultation sessions held with diverse stakeholders</li> <li>• Due incorporation in policy and procedures of recommendations from stakeholders</li> </ul>	0	GoB
8	<b>Offering Policy Facilitation for MSME, Small Capital Businesses</b>	NBR lacks a targeted initiative to ensure sustainable growth of the MSME and small capital businesses for driving economic growth and maintaining employment generation.	<ul style="list-style-type: none"> <li>• Registering and identifying the special needs of MSME and small capital businesses</li> <li>• Setting clear, simplified and uncomplicated compliance regulations for MSME and small capital businesses</li> <li>• Review of existing legal framework for</li> </ul>	NBR/BB/ MoC/MSME Foundation/ BSCIC	M	M and L Q2-2026	<ul style="list-style-type: none"> <li>• Conduct analysis with representatives of MSME community to identify constraints and other tax issues.</li> <li>• Preparing report and publishing action plan</li> <li>• Simplified return form made available</li> <li>• MSME satisfaction survey conducted</li> </ul>	15	GoB

Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
			MSMEs and facilitate MSME compliance						
9	<b>Moving towards Cashless Economy</b>	There is a lack of transparency and limited traceability of economic activities that are conducted on a cash basis which creates risks for all parties.	<ul style="list-style-type: none"> <li>• Encouraging transactions through formal and digital channels</li> <li>• Addressing the threats of cyber security</li> <li>• Developing and ensuring required digital transformation and developing an SOP to support taxation of digital economy</li> <li>• Developing policy for compliance incentives for promoting cashless transactions.</li> </ul>	NBR and other Ministries	H	L Q2-2028	<ul style="list-style-type: none"> <li>• Roadmap and action plan prepared</li> <li>• Enactment of need-based policies and possible laws</li> <li>• Increased adoption of formal and digital means while making financial transactions</li> <li>• Policy formulated for incentivizing cashless transactions</li> </ul>	15	GoB and /or DP
10	<b>Ensuring Predictability of Tax Policy</b>	Investors lack confidence in the tax system. Tax policies are changed without notice, which leads to lack of predictability and reduced FDI.	<ul style="list-style-type: none"> <li>• Maintaining consistency in tax policy</li> <li>• Avoiding frequent changes in tax rates and other provisions without research and specific needs</li> <li>• Prior consultation with investors and other stakeholders before policy changes</li> </ul>	NBR	H	M and L Q2-2027	<ul style="list-style-type: none"> <li>• Tax policy changes are increasingly more predictable and transparent</li> <li>• Investor satisfaction survey conducted and weaknesses in FDI policies identified</li> </ul>	0	GoB

Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
11	<b>Ensuring Fair Amount of Tax from High-Net-Worth Individuals (HNWIs)</b>	There is growing inequality in society as reflected in the GINI coefficient. This issue is not being effectively countered though effective tax policies and tax collection practices	<ul style="list-style-type: none"> <li>Developing a criteria-based approach to identifying HNWIs</li> <li>Research and identify non-legislative means of encouraging tax payments from HNWIs.</li> <li>Preparing fair and equitable tax policies, rates, and collection methods</li> </ul>	NBR	H	M and L Q2-2028	<ul style="list-style-type: none"> <li>HNWIs identified and sources of wealth specified.</li> <li>Report prepared on voluntary compliance mechanisms targeted specifically for HNWIs</li> <li>Publish revised tax rates for HNWIs, if appropriate</li> </ul>	0	GoB
12	<b>Supporting Occupational Health, Fire Safety and Environmental Hazard Minimization</b>	Adoption of environmentally cleaner and more efficient technologies is needed to reduce the environmental impact of human activities. Additionally, building-fire and occupational health hazards are frequent with significant negative impacts.	<ul style="list-style-type: none"> <li>Introducing fiscal incentives such as subsidies, tax credits, exemptions or deductions</li> <li>Harmonizing tax policy facilitation with other environment policies, safety policies and regulation</li> </ul>	NBR/MoEF/DoE	H	M and L Q2-2026	<ul style="list-style-type: none"> <li>Change in behavior towards making sustainable choices</li> <li>Progressive tax for enterprises depending on their environmental footprint, safety measures, and occupational health measures</li> </ul>	0	GoB
<b>Direct Tax</b>									
13	<b>Revisiting Taxation of Capital Gains/Surcharge</b>	Speculative and unproductive activities are distorting the allocation of resources. Currently, the gains from investment in	<ul style="list-style-type: none"> <li>Implementing a progressive tax rate on capital gains based on the income level of the taxpayer and the duration of the investment</li> </ul>	NBR	M	M & L Q2-2026	<ul style="list-style-type: none"> <li>Progressive tax rate on capital gains</li> <li>Enacting policies and need-based legislation regarding capital gains</li> </ul>	0	GoB

Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
		productive assets are not shared fairly between the investors and the public.	<ul style="list-style-type: none"> <li>Eliminating or reducing preferential tax treatment of certain capital assets such as qualified dividends or long-term capital gains</li> <li>Expanding the scope of taxing capital assets (such as unrealized gains, inherited assets, or intangible assets)</li> <li>Develop SOP to calculate the gain</li> </ul>						
14	<b>Revisiting Wealth Tax</b>	The concentration of wealth has a negative effect on social justice by contributing to inequality. The accumulated wealth has not led to productive investment and positive economic growth.	<ul style="list-style-type: none"> <li>Developing a method to calculate the value of wealth held in land and buildings.</li> <li>Analyzing costs and benefits of assessing and collecting wealth taxes.</li> <li>Incentivizing the wealthy to invest their money in more productive sectors such as industry, agriculture, and services</li> <li>Developing SOP to estimate actual values of assets</li> </ul>	NBR	H	L Q2-2028	<ul style="list-style-type: none"> <li>Research report commissioned to develop evidence for a wealth focused tax.</li> <li>Adequate consultations held with selected individuals assumed to be covered by taxes focused on wealth. Innovate methods adopted by NBR to calculate wealth and apply it selectively as a test case so as to avoid prolonged litigation</li> </ul>	0	GoB
<b>Indirect Tax – Customs</b>									

Sl.	Activity	Rationale/Problem Statement	Actions	Responsibility	Priority (M, H) <sup>2</sup>	Completion Time (M, L) <sup>3</sup>	Performance Indicator	Cost Estimate (Amt in lakh)	Resource
15	<b>Rationalizing tariffs and para-tariffs</b>	Current tax policy and administration should focus on fostering economic growth, countering anti-export bias, ensuring consumer welfare, and maintaining compliance with regional and international trade agreements. There is insufficient action to face the fiscal challenges associated with Least Developed Countries (LDC) graduation.	<ul style="list-style-type: none"> <li>Assessing the effectiveness of the existing tariff policy</li> <li>Periodic rationalization of the existing tariff policy</li> <li>Preparing Tariff Policy-2023 implementation plan for rationalizing tariff and para-tariffs in phases with a time-bound and performance-based approach.</li> </ul>	NBR/BTTC/MoC	H	M and L Q2-2028	<ul style="list-style-type: none"> <li>Tariff/para-tariff assessment report prepared and approved by NBR</li> <li>Tariff Policy implementation plan prepared and published</li> <li>Average import tariff rates and average Protection Duty rates adjusted per tax policy</li> </ul>	15	GoB
								<b>180</b>	

### Strategic Pillar II: Modernize NBR Administration

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
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SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
<b>Cross cutting measures (Direct and Indirect Tax)</b>									
16	<b>Preparing and Conducting automation plan and system audit</b>	Manual procedures and the absence of comprehensive automation have hampered effective tax administration.	Formulating NBR's Automation Strategic Action Plan. Conducting System Audit (e.g., ASYCUDA World, IVAS, e-Return, e-TDS) periodically in a systematic and coordinated manner Addressing the findings of the system audit	NBR	H	M Q2-2026	<ul style="list-style-type: none"> <li>NBR's Automation Strategic Action Plan prepared and published.</li> <li>System Audit conducted at least once every three years</li> </ul>	30	GoB
17	<b>Establishing integrated central data repository system and making the systems interoperable</b>	The benefits of interoperable systems connecting all NBR systems with other third parties are inadequate. The tax officials do not have access to financial transactions for effective and judicious application of tax regulations.	<ul style="list-style-type: none"> <li>Developing security protocols and associated infrastructure for Big Data management</li> <li>Entering into Application Programming Interface (API) with selected authorities with data integrity ensured.</li> <li>Establishing a central data repository system.</li> <li>Establishing Integration between other systems and the central data repository system only after security protocols have been established and tested.</li> </ul>	NBR/BB/O GAs	H	L Q4-2028	<ul style="list-style-type: none"> <li>Centralized data repository system defined and documented</li> <li>Options for integration identified, approved at the highest level and selectively adopted.</li> </ul>	20,000	GoB
18	<b>Strengthening ICT Management</b>	NBR needs a functional tax system having automation,	<ul style="list-style-type: none"> <li>Investigate the best approach to restructure</li> </ul>	NBR/MoP A/ ICTD	H	M and L Q2- 2027	Establishment of a full-fledged ICT Management Unit	20	GoB

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
		<p>transparency, efficiency and trust in service delivery as its hallmarks. It must ensure protection of sensitive financial and personal information of taxpayers</p> <p>The communication system needs to be automated with the stakeholders for a sustainable revenue model</p>	<p>existing ICT wing</p> <ul style="list-style-type: none"> <li>• Developing a comprehensive online database management system (DBMS) to accommodate taxpayers' and other stakeholders' information requirements</li> <li>• Update the existing website to allow interactive searches and queries using AI progressively</li> <li>• Strengthening cyber security of digital databases of NBR</li> </ul>						
19	<b>Strengthening Research and Statistics</b>	Capacity for data analytics, revenue forecasting, tax gap analysis and tax expenditure analysis are currently lacking.	<ul style="list-style-type: none"> <li>• Coordinating with academia and stakeholders in research agenda formulation process</li> <li>• Invest in the development of NBR's Research and Statistics Wing to lead on tasks such as tax gap analysis, developing algorithms for automated audit selection and refund forecasting</li> </ul>	NBR/ IRD/ MOPA/ MoF	H	M and L Q2-2028	Annual research agenda and implementation plan developed and approved	100	GoB
20	<b>Broadening tax net</b>	Potential taxpayers are outside the tax net, reducing opportunities for increasing revenues.	<ul style="list-style-type: none"> <li>• Comprehensive review and integration of Customs, VAT and income tax registry to ensure accuracy and completeness</li> </ul>	NBR	H	M Q2-2027	Communication strategy developed to use all available media to inform the individuals and businesses about their duty to be registered.	50	

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
			<ul style="list-style-type: none"> <li>• Link related businesses across Customs, VAT and Income Tax</li> <li>• Conduct a survey to identify and register potential taxpayers</li> <li>• Obtain third party data (e.g., financial transactions) and integrate into data verification, registry cleaning and detecting the unregistered</li> <li>• Establish a data sharing platform with the banks and financial institutions to inform NBR about bank accounts</li> <li>• Review and validate accuracy of updated registration data</li> <li>• Campaign for increasing registration developed including sanctions for willful non-compliance</li> <li>• Simplify registration procedures</li> </ul>				Number of taxpayer registrations increased		
21	<b>Estimating Number of Potential Taxpayer and Increasing tax return</b>	The number of taxpayers, albeit based on incomplete and inaccurate registration detail, is low. There is also a	<ul style="list-style-type: none"> <li>• Research on identification of number of taxpayers</li> <li>• Building a powerful data matching capability to verify returns, identifying</li> </ul>	NBR	H	L Q4- 2030	<ul style="list-style-type: none"> <li>• Increase in tax return filing</li> <li>• Incorporating research/survey findings into policy formulation</li> <li>• Direct Tax returns from registered taxpayers to reach 60% by 2030</li> </ul>	50	GoB



SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
	<b>submission</b>	gap between taxpayer registration and return filing.	<p>risks and targeting compliance actions</p> <ul style="list-style-type: none"> <li>• Incorporating legal provisions to increase the number of taxpayers and submission of tax returns</li> <li>• Establishing a secure data sharing system with government and other agencies, on a phased and controlled basis</li> <li>• Conducting Diagnostic Assessment on reasons for non-submission of tax returns</li> <li>• Introducing additional features for better taxpayer profiling in the taxpayer registration system</li> </ul>				<ul style="list-style-type: none"> <li>• VAT returns from registered taxpayers to reach 100% by 2030</li> </ul>		
<b>22</b>	<b>Implementing automated risk management</b>	Physical intervention for customs clearance creates a high level of risk. Risk is not managed due to poor selection of candidates for audit based on absence of risk management criteria.	<p>Introducing criteria to assess risk and develop an automated Risk Management system</p> <ul style="list-style-type: none"> <li>• Establish a data-driven risk management system to target compliance activities</li> </ul> <p>Reduce discretionary contact during Customs clearance</p> <ul style="list-style-type: none"> <li>• Establish cross functional</li> </ul>	NBR	H	M-L Q4- 2030	<p>Physical intervention reduced per survey results.</p> <p>50% of audits selected on the basis of NBR's risk assessment</p> <p>CRMU established</p>	1,200	GoB

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
			CMRU						
23	<b>Countering Revenue Leakages and Illicit Financial Flows</b>	Lack of effective legislation, enforceability of existing laws and monitoring tools leads to revenue leakage and Illicit Financial Flows. There is absence of co-ordination and exchange of information between relevant agencies, BFIs, NBR and other international agencies.	<ul style="list-style-type: none"> <li>Strengthen tax administration and enforcement, especially for large taxpayers and sectors with high evasion rates</li> <li>Reducing exemptions, incentives and loopholes that create opportunities for avoidance and evasion</li> <li>Enhance automation of tax collection and payment to reduce human intervention and corruption</li> <li>Conduct risk profiling and auditing of high-risk areas where tax evasion is more prevalent</li> <li>Develop tax evasion models based on historical data to predict potential tax dodging pattern</li> <li>Identifying and countering taxpayers involved in money laundering and cross border capital flight</li> <li>Establishing collaboration between</li> </ul>	All concerned agencies (NBR, BB, ACC, CID)	H	M- L Q2- 2030	<p>Complete a detailed sensitivity analysis using modeling and AI to identify and target sectors with high tax evasion rates</p> <ul style="list-style-type: none"> <li>Workshops convened to share data and plan specific responses.</li> <li>Increase in the number of delinquent taxpayers referred to judicial process</li> <li>No of MoUs between NBR and relevant International Agencies regarding Recovery of Undisclosed and/or Stolen Offshore Assets.</li> </ul>	100	GoB

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
			relevant agencies including national and international agencies.						
24	<b>Improving Litigation Management and appeal procedures</b>	Resolving tax cases through the courts has proven to be slow and unsatisfactory due to manual management of litigation and appeal procedures as well as delays in dispute settlement and revenue collection.	<ul style="list-style-type: none"> <li>Automate the litigation management and appeal procedure</li> <li>Undertake a sensitivity analysis of all cases from high to low and target the highest possible return for negotiation</li> <li>Digitally archive Tribunal and High Court orders to facilitate passing orders in analogous cases</li> <li>Assign the work to existing staff and based on results from special team for dealing with High Court cases</li> </ul>	NBR/IRD/ Attorney General Office	H	M Q2-2027	<ul style="list-style-type: none"> <li>Automated litigation management system established</li> <li>Tracking procedures established for all cases and appeals</li> <li>Increase in timely disposal of pending court cases through negotiation and increase in revenue</li> </ul>	1,000	GoB
25	<b>Increasing Infrastructure and logistics facilities</b>	Inadequate infrastructure and logistics create hindrance for revenue collection and providing taxpayer services. To revamp outdated and inadequate physical infrastructure such as office building, equipment, furniture, vehicles, etc. that	<ul style="list-style-type: none"> <li>Developing an action plan to secure financing for coordinated modernization initiatives.</li> <li>Establish estate, Logistics and Project Management competence through training of NBR staff</li> <li>Establishing estate, Logistics and Project Management Office for NBR</li> </ul>	NBR, IRD, MOPA, MoF	H	M-L Q2-2029	<ul style="list-style-type: none"> <li>TOR for needs assessment</li> <li>Detailed assessment and action plan prepared and published</li> <li>PMU Office established and operational</li> </ul>	30	GoB

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
		hampers productivity, morale, and professionalism of the tax officials as well as negatively impacts satisfaction and trust of the taxpayers.							
26	<b>Establishing overseas units for dealing with commercial fraud, tax evasion, Trade Based Money Laundering (TBML) and asset recovery</b>	Globally, Bangladesh has experienced loss of assets due to tax evasion and money flight. Legitimate revenue also is lost as a consequence of over invoicing and under-invoicing.	<ul style="list-style-type: none"> <li>• Creating Customs Attaché posts in foreign missions to combat commercial frauds, capital flights, trade-based money laundering and terrorist financing (TBML/TBTF) and promoting investment following international best practices of our neighboring countries.</li> <li>• Creating overseas income tax units at foreign missions to assess transfer pricing properly and to recover stolen/undisclosed offshore assets of such countries where capital flights frequently occur.</li> </ul>	NBR/IRD/MOPA/MoF/MoFA	H	M Q2-2027	Post created and officers are posted there	0	GoB
27	<b>Improving Effective Public Relations</b>	Lack of public liaison and information dissemination sometimes creates discrepancies in getting information to the	<p>Improve communication documents and use available media to target messaging.</p> <p>*Massive campaign for</p>	NBR	H	M Q2-2026	Website strengthened to incorporate stronger messaging	30	GoB

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
		stakeholders and media.	taxpayer awareness						
28	<b>Strengthening Research and Development (Cross cutting)</b>	To develop research-based policies, not on ad hoc basis. To keep NBR updated on global practices. To identify newer avenues for revenue generation. To optimize tax base, tax rates and incentives as to innovate service delivery, improve taxpayer satisfaction and encourage voluntary compliance.	<ul style="list-style-type: none"> <li>Conducting performance evaluation of field offices against revenue target</li> <li>Conducting research to optimize tax base, tax rates and incentives</li> <li>Developing new tools to detect and prevent tax evasion and reduce leakage</li> </ul> Publishing research outcomes	NBR (R&D)	H	M-L Q4-2030	<ul style="list-style-type: none"> <li>Annual research agenda prepared and approved by senior management</li> </ul> Research findings used to revise regulations and strengthen legislation	20	GoB
<b>Direct Tax</b>									
29	<b>Addressing International Tax Issues</b>	International tax issues like BEPS, thin capitalization, digital taxation, transfer mispricing, money laundering, stolen asset recovery (STAR Project), etc. Are not being dealt with effectively. As a consequence, Bangladesh may not be receiving an equitable share of revenue from	<ul style="list-style-type: none"> <li>Establishing specialized functional units for preventing money laundering, stolen asset recovery and addressing BEPS, digital economy taxation, thin capitalization, tax evasion and avoidance, transfer mispricing etc.</li> <li>Revisiting DTAA's for removing skewness in existing agreements</li> </ul>	NBR/MoP A/ MoFA/MH A	H	M and L Q4-2027	<ul style="list-style-type: none"> <li>30% of DTAA's analyzed to ensure equitable distribution of benefits by 2026</li> <li>70% of DTAA's analyzed by 2027</li> </ul>	15	GoB

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
		existing DTAAs.	<ul style="list-style-type: none"> <li>After intensive review eliminate treaty abuse and treaty shopping</li> <li>Aligning with international tax issues and legislation</li> </ul>						
30	<b>Establishing a Modern Training Academy</b>	To enhance professional knowledge and skills of tax officials, tax professionals, trade bodies and management of corporate bodies. A comprehensive study is needed, and a targeted curriculum should be developed.	<ul style="list-style-type: none"> <li>Building a state-of-the-art training academy with highly skilled trainers</li> <li>Facilitating exchange of knowledge and experience among tax officials from different regions and countries</li> <li>Offering customized and tailored training courses for partners and stakeholders</li> <li>Gradually developing the training academy as a regional training hub in collaboration with OECD, IMF, EU, IBFD, ADB, WB and other international partners</li> </ul>	NBR/MOP A/ MOFA/Mo Edu	H	M and L Q4-2030	<ul style="list-style-type: none"> <li>TOR prepared to carry out a management study to establish /upgrade the existing Training Academy</li> <li>TOR approved for the development of high-level training programs appropriate for multi-functional national revenue and tax administration agency.</li> <li>New Training Academy operational by 2027</li> </ul>	20,000	GoB
31	<b>Establishing a Learning and Knowledge-Sharing Platform</b>	<ul style="list-style-type: none"> <li>To facilitate knowledge sharing about the orders and judgements of appellate authorities and the judiciary</li> <li>To create a platform where tax officials can access previous orders</li> </ul>	<ul style="list-style-type: none"> <li>Building a digital and interactive platform for knowledge sharing</li> <li>Organizing seminars, workshops, online training and other dissemination programs</li> </ul>	NBR	H	M and L Q4-2029	<ul style="list-style-type: none"> <li>TOR prepared to design an interactive knowledge sharing platform (DBMS)</li> <li>Learning and knowledge-sharing platform established by 2026</li> </ul>	1,000	GoB

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
		and judgments on similar matters <ul style="list-style-type: none"> <li>• To ensure uniformity of practice and enforcement of tax law across the department</li> <li>• To provide access to relevant and up-to-date information, best practices, case studies and online courses</li> <li>• To fuse, share and disseminate experience and new knowledge with a view to enhancing skill, competence and confidence in tax administration.</li> </ul>							
32	<b>Increasing Involvement of Government and Other Agencies for Ensuring Tax Compliance</b>	NBR's oversight of financial operations is limited to easily access key pieces of financial information held by other agencies. This interferes with the judicious application of tax regulations.	<ul style="list-style-type: none"> <li>• Strengthening verification of Proof of Submission of Return (PSR) before providing respective services</li> <li>• Establishing API with other agencies</li> </ul>	Respective service providers	H	M and L Q4-2028	<ul style="list-style-type: none"> <li>• Number of API and MoU established</li> <li>• Increased tax compliance</li> </ul>	25	GoB
33	<b>Moving towards Paperless Tax Office</b>	Over reliance on paper-based return filing possesses the risk of physical document loss, unauthorized access to	Adopting digital platforms for tax filing, record keeping, communication with taxpayers and other related issues	NBR/ICTD	H	L Q4-2030	Going paperless incrementally	50,000	GoB and / or DP

SL	Activity title	Rationale	Actions/ Activities	Responsibility	Priority (M, H)	Completion Time (M, L)	Performance Indicator	Cost Estimate (Amount in Lakh)	Resource
		documents and distortion of records.							

Indirect Tax - Customs									
34	<b>Conducting diagnosis studies periodically to identify areas to improve</b>	Lack of well-defined vision, mission and strategic planning creates challenges for Customs to achieve its institutional goals and objectives.	<ul style="list-style-type: none"> <li>• Conducting diagnosis e.g., TRS, BPA, BPR to identify the areas to improve and adopt global best practices in revenue management on a regular basis.</li> <li>• Prepare a TOR for a study on options to remove bottlenecks and simplify procedures based on diagnostic study e.g., BPA and TRS.</li> <li>• Update the existing Customs Modernization Strategic Action Plan (CM SAP) to address emerging challenges.</li> </ul>	NBR	H	M Q4-2028	<ul style="list-style-type: none"> <li>• TOR approved for diagnostic study to identify bottlenecks and obstacles to smooth fraud-free implementation of Customs procedures.</li> <li>• Diagnostic Report published</li> <li>• CM-SAP has been prepared, published and disseminated</li> </ul>	1,000	GoB
35	<b>Transforming to a fully automated, integrated Customs</b>	Customs lacks fully integrated and automated systems that hinders achieving smart and paperless customs.	<ul style="list-style-type: none"> <li>• Enhance the capacity of the Customs Computer System to capture supporting documents related to Customs declaration.</li> <li>• Develop NBR's own</li> </ul>	NBR	H	L Q2-2035	<ul style="list-style-type: none"> <li>• Fully integrated Customs</li> <li>• Paperless Customs</li> <li>• Green Customs</li> <li>• Supporting documents submitted through Customs Computer System</li> </ul>	20,000	GoB



			software system for Customs clearance in the long run which can replace ASYCUDA world to leverage customized solution services, achieve greater security and efficiency						
36	<b>Establishing Electronic Customs Clearance System for Postal Goods and Documents</b>	Existing Customs clearance process for parcels and documents carried through Postal Services is manual which lacks efficiency.	<ul style="list-style-type: none"> <li>• Establish an electronic system of Customs clearance for postal services</li> <li>• Integration with Universal Postal Union (UPU) for data exchange for parcel and document clearance</li> </ul>	NBR & Bangladesh Postal Department	H	M Q2-2030	<ul style="list-style-type: none"> <li>• Electronic Customs clearance process for parcels and documents carried out through Postal Services is established</li> <li>• Integration with UPU system is established</li> </ul>	2,000	GoB
37	<b>Strengthening Enforcement</b>	Customs has minimum enforcement in some areas e.g., preventing smuggling at deep sea, coastal areas, in country enforcement other than customs stations, etc.	<ul style="list-style-type: none"> <li>• Purchasing modern equipment and devices to conduct preventive and anti-smuggling activities inside the country</li> <li>• Strengthening enforcement activities to protect smuggling at deep sea, coastal areas by enhancing capacity directly (e.g., procurement of patrol vessel, navigational equipment, etc.), or through coordination with the Bangladesh Navy.</li> </ul>	NBR/IRD/MOPA/MoF	H	M- L Q2-2030	Vessels, Equipment and devices procured and deployed	10,000	GoB
38	<b>Strengthening domain specific functional capacity of</b>	Existing organizational structure is not optimum to administer overarching needs for	<ul style="list-style-type: none"> <li>• Establishing Customs International Trade Analysis Cell in NBR to contribute to bilateral or</li> </ul>	NBR/ IRD/MOPA/MoF	H	M Q4- 2030	<ul style="list-style-type: none"> <li>• Specialized Cell has been established and operational</li> <li>• Sufficient number of training courses to the officials provided</li> </ul>	5,000	GoB

<b>Customs</b>	revenue mobilization, trade facilitation, preventing money laundering, document forgeries and counterfeiting.	multilateral trade negotiation especially in the areas of Rules of Origin (RoO), Operational Certification Procedure (OCP), Transit and Transshipment Agreement, PTA, FTA, etc. • Officers will be posted there for at least 5 years with a succession plan and trade negotiation training including trade diversion and trade creation impact analysis should be provided.						
	Establishing specialized functional units for preventing money laundering, mis-invoicing, and transfer mispricing	NBR/IRD/ MOPA/MOF/ MOFA	H	M	Q4-2029	Specialized units have been established and operational	10	GoB
	Establishing Rule of Origin Center in NBR	NBR/IRD/ MOPA/ MoF	H	M	Q4-2027	Specialized Center has been established and operational	10	GoB
	Establishing IPR Center in NBR	NBR/ IRD/ MOPA/ MoF	M	L	Q4-2028	Specialized Center has been established and operational	10	GoB
	Establishing Classification and Advance Ruling Unit in NBR	NBR/ IRD/ MOPA/ MoF	H	M	Q4-2029	Specialized Center has been established and operational	10	GoB
	Establishing AEO Center	NBR/ IRD/ MOPA/ MoF	M	M	Q2-2027	Specialized Center has been established and operational	10	GoB
	Strengthening NII units by deploying human resources, providing	NBR/ IRD/ MOPA/ MoF	M	L	Q2-2030	NII units received enough resources, logistics and training	10,000	GoB

			adequate logistics and training						
			Establishing Central Customs Laboratory (CCL) including forensic lab	NBR/ IRD/ MOPA/ MoF	M	M-L Q2-2028	<ul style="list-style-type: none"> <li>• CCL with equipment has been established and operational</li> <li>• Appropriate capacity building has been done</li> </ul> Less number of samples has required testing outside labs	5,000	GoB

Indirect Tax- VAT									
39	<b>Simplifying return filing</b>	Manual return submission creates hindrance towards data analysis and risk management	<ul style="list-style-type: none"> <li>Incentivize e-return submission for VAT payers</li> <li>Verify all VAT input tax credits and pay refunds within 30 days of a return being filed</li> </ul>	NBR	H	M Q2-2029	<ul style="list-style-type: none"> <li>Work plans to incentivize e-filing are approved by NBR.</li> <li>VAT payers use e-filing at the rate of 10% increment per year from a documented 2023 base</li> </ul>	5,000	GoB
40	<b>Modernizing VAT Administration</b>	Due to lack of adequate automation, no process is in place to combat against fraudulent invoices issued by taxpaying entities to avoid tax evasion.	<ul style="list-style-type: none"> <li>E-invoice to be introduced for all supplies including procurement provider to the procuring entity.</li> <li>Reduce human interactions and corruption vulnerabilities.</li> </ul>	NBR	H	M Q2-2030	E-invoice systems established	20,000	GoB
41	<b>Strengthening of VAT administration to harness revenue from digital businesses</b>	Currently VAT collection from e-commerce and other digital businesses is not optimum.	<ul style="list-style-type: none"> <li>Establishing a Cell for VAT on Digital economy for collecting legitimate revenue from e-commerce and digital economy</li> <li>Develop a granular understanding of the digital commerce in Bangladesh and between Bangladesh and other countries.</li> <li>Train staff on how to carry out effective tax actions against digital businesses.</li> <li>Attend regional and international meetings/conferences to</li> </ul>	NBR/IRD/MOPA/MoF	H	M Q2-2028	<ul style="list-style-type: none"> <li>Established and operationalized the Cell</li> <li>Required number of staff designated for deep learning and knowledge management</li> <li>3-4 international conferences attended with feedback reports required</li> </ul>	1,000	GoB

			deepen institutional knowledge.						
42	<b>Introducing risk-based intervention for VAT</b>	NBR lacks proper risk-based intervention policy or program for VAT.	Establish VAT Risk Management Commissionerate	NBR/IRD/MOPA/MoF	H	L Q3-2033	Established VAT Risk Management office	5,000	GoB
								<b>186,720</b>	

### Pillar III: Build and Develop Human Capacity

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
<b>Cross Cutting Measures</b>									
<b>Direct and Indirect Tax</b>									
43	<b>HR Planning and Development</b>	NBR aims to develop its human resources capacity for effective and efficient revenue management. Therefore, NBR has taken several initiatives on an ad hoc basis to develop the capacity of the officials in collaboration with developing partners. However, these ad hoc basis initiatives are not adequate to achieve the organization's medium- and long-term revenue strategies. Hence, a needs assessment for human resource development is essential for NBR to identify skill gaps, plan	Conduct human resource development needs assessment studies to identify the required capacity building areas on priority basis.	NBR	H	M Q2- 2027	<ul style="list-style-type: none"> <li>• TORs prepared and approved</li> <li>• Human resource management strategy reports with findings and recommendations, including targeted workforce plan for staff deployment.</li> </ul>	200	GOB

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
		training programs, align training with organizational goals, address changes in tax administration, maximize efficiency and effectiveness, and allocate resources effectively.							
44	<b>Strengthening Organization and management</b>	It is essential to update NBR's organizational structure to maintain its effectiveness, efficiency, and responsiveness to the evolving requirements of revenue administration. It allows NBR to embrace technological innovations, improve service delivery, and increase collaboration with stakeholders. It also allows NBR to match its organizational structure with strategic priorities.	Assessing the effectiveness of the current organogram	NBR	H	M Q2-2026	Assessment conducted and report published	10	GoB
			Updating the current organogram as per assessment.	NBR	H	M- L Q2-2027	Updated organogram as per assessment findings	10	GoB
			Developing Comprehensive Human Resource Management Policy (CHRMP) for NBR.	NBR	M	M Q2-2026	Comprehensive Human Resource Management Policy (CHRMP) is formulated and published.	10	GOB
			Design and develop capacity strengthening program (both academic and professional) for revenue officials by formulating a Technical Project Proposal (TPP)/ Technical Assistance Project Proposal (TAPP).	NBR, MoF	H	M Q4-2026	Strengthening program is approved and different capacity building initiatives have been conducted.	20	GOB
45	<b>Developing and</b>	Currently, NBR has lack	Develop annual	NBR	H	M	The annual training program	20	GOB

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
	<b>Organizing Training Programs</b>	annual training program or schedule. The absence of annual training program schedule compels to take ad hoc training initiatives. Therefore, an annual training program is crucial for NBR to have a structured approach to training and align with organizational objectives.	training program schedules for revenue officials.			Q2-2026	is developed, and trainings or workshops are being arranged as per scheduled.		
46	<b>Introducing Automated HR management System</b>	Due to the absence of structured approach for human resource management, procuring HR management software would help NBR streamline HR processes, improve data management and support performance management.	Procure HR management software for proper HR management.	NBR	H	M-L Q2-2028	HR management software is procured and is being used by NBR for HR management.	1,000	GOB and/or DP
47	<b>Designing and providing Need based Training</b>	There is inadequate attention paid to nurturing the professional development of tax officials to cater the needs of income tax practitioners and other stake holders. Businesses are evolving and without proper training on business process, revenue leakage will not be possible to	Conduct periodic needs assessment to identify competency gap. - Select appropriate training methods and materials that suit the learning styles and preferences.  Conduct training of	NBR	H	M Q4-2026	At least 200 officers received specialized training	10	GoB and / or DP

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
		minimize rather persist.  In addition, NBR needs to focus on specialized training for building up sectoral specialization.	the Trainers (ToTs) Conduct research on new and evolving businesses. Provide training to specific groups in specific areas for building specialization.						
48	<b>Introducing Knowledge management Platforms</b>	Currently, there is no learning platform for revenue officials to share knowledge, relevant information and study the best practices and case studies of the department. One or more e-learning platform will serve these purposes.	Create e-learning and knowledge sharing platform to share relevant information, best practices and case studies.	NBR	H	M- L Q2-2030	At least one e-learning platform is developed and operationalized. The officials can enroll themselves on the platform for different courses, get relevant information, best practices and case studies.	50	GOB and/or DP
49	<b>Providing Senior Level Training and Leadership development Opportunities</b>	There is inadequate procedure in place for developing effective leadership skills within NBR to drive organizational change and foster a culture of excellence.	Conduct leadership development training and workshops to develop leadership skills, i.e. strategic planning, decision making, communication, team building, and change management.	NBR	H	S-M Q2-2027	The leadership development program is included in the yearly training schedule of NBR.  A certain number of training courses and workshops are conducted each year and reviewed annually.	100	GOB and/or DP
50	<b>Promoting Professional Development</b>	Continuous professional development and specialized trainings are	<ul style="list-style-type: none"> <li>Formulate policy for career planning</li> <li>Provide regular and</li> </ul>	NBR	H	M-L Q2-2028	<ul style="list-style-type: none"> <li>Career planning policy is formulated and approved.</li> <li>At least 6 peer-to-peer</li> </ul>	20,000	GOB and / or DP



SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
	<b>and developing pool-based specialization</b>	<p>crucial for equipping NBR officials with the skills to efficiently enforce tax laws and adapt to new technologies and global tax practices.</p> <p>A strong culture of professionalism, integrity, and accountability in tax administration would enhance competencies and improve revenue collection, enhance tax compliance and provide efficient tax payer services.</p> <p>In-depth training and capacity development are needed, including exposure to best international practices.</p>	<p>adequate training on tax laws, accounting, nature and the process of different types of business, digital economy, relevant regulations, policies and procedures</p> <ul style="list-style-type: none"> <li>• Offer need-based and tailored training programs for officers and staffs of all ranks</li> <li>• Offer opportunities for career advancement and recognition based on merit and performance</li> <li>• Incorporate pool-based specialization in career planning</li> <li>• Increase capacity for forensic analysis and data mining</li> <li>• Enhance knowledge in digital data management and cloud computing</li> <li>• Provide knowledge in issues of international tax, arms-length pricing, market price</li> </ul>				<p>training sessions/year conducted</p> <ul style="list-style-type: none"> <li>• At least 6 domain specific training sessions are arranged to enhance pool-based specialization</li> <li>• At least 3 need-based foreign exposures/trainings provided</li> <li>• Recognition provided based on merit and performance</li> <li>• Training modules are updated.</li> <li>• Clear and measurable goals and expectations from tax officials are formulated and performances are monitored.</li> </ul>		

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
			assessment, and DTAA negotiation <ul style="list-style-type: none"> <li>• Provide knowledge in tax intelligence and investigation, money laundering, prosecution and related issues</li> <li>• Provide training at home and abroad on philosophy, understanding and enforcement of tax law aligning with international best practices</li> <li>• Update training modules in line with international practices and changing needs</li> <li>• Establish clear and measurable goals and expectations from tax officials and monitor outcomes</li> <li>• Create regular opportunities for exposure to international best practices</li> <li>• Create a supportive and collaborative work environment</li> </ul>						

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
			that fosters learning and innovation						
51	<b>Enhancing Collaboration and Partnership</b>	Collaboration and partnerships between revenue administrations and other stakeholders, such as tax professionals, business associations, and academic institutions, can foster knowledge exchange and innovation. Collaborative initiatives can include joint training programs, conducting joint operations, research projects, and sharing of best practices.	Establish professional collaboration and exchange with relevant national and international agencies, other revenue administrations, Customs authorities, OGAs, tax professionals, business associations, and academic institutions.	NBR, OGAs	M	M-L Q2-2030	Collaboration and partnership are established and several joint training and operational programs, research projects conducted, and best practices shared.	100	GoB/DP
52	<b>Enhancing IT knowledge and related Capacity building of NBR officials</b>	<ul style="list-style-type: none"> <li>Embracing technological advancements and automation tools can significantly enhance the efficiency and effectiveness of revenue administration.</li> <li>Providing training in the use of technology and equipping staff with necessary digital skills is crucial. This includes training on tax administration systems, basics on cyber security, data analytics, and</li> </ul>	Provide training on the use of technology and equip staff with necessary digital skills, i.e., Microsoft excel, fundamentals of cyber security etc.	NBR	H	M Q2-2027	<ul style="list-style-type: none"> <li>Training in technology and automation is included in the annual capacity building schedule,</li> <li>Training is conducted regularly</li> <li>Training schedule is reviewed annually.</li> </ul>	100	GOB and/or DP

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
		emerging technologies such as artificial intelligence and blockchain.							
53	<b>Introducing Performance management and Recognition Systems</b>	<p>A structured outcomes monitoring performance management system helps identify, monitor, and improve individual and team performance within an organization. It provides a framework for setting institutional performance goals, tracking progress, providing feedback, and addressing performance gaps.</p> <p>A well-designed non-cash reward and incentive system should also be established based on performance to acknowledge efforts, and motivate officials to perform at their best, and reinforce positive behaviors aligned with organization's strategic objectives.</p>	<ul style="list-style-type: none"> <li>• Annual performance targets established for NBR</li> <li>• Conduct oversight, monitor and report against workplans</li> <li>• A performance management, reward or incentive system needs to be introduced for the officials.</li> </ul>	NBR	M	M-L Q2-2032	<ul style="list-style-type: none"> <li>• Annual workplans containing performance targets drafted, reviewed, approved and implemented in collaboration with the direct and indirect tax wings.</li> <li>• PMU established to conduct oversight, monitor and report against planned results</li> <li>• Quarterly review meetings conducted with progress reported to the Board</li> <li>• Introducing performance-based reward and incentives system</li> </ul>	50	GOB and/or DP
54	<b>Promoting Ethical standards and integrity</b>	To uphold public trust, prevent corruption and fraud, ensure effective internal control, foster a	Conduct training programs emphasize the importance of institutional and	NBR	H	M-L Q4-2030	<ul style="list-style-type: none"> <li>• 6 training, workshops annually on integrity and anti-corruption measures conducted by NBR</li> </ul>	100	GOB and/or DP

SI	Activity title	Rationale	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac Taka)	Resource
		positive organizational reputation, and maintain a culture of integrity within the organization, integrity and anti-corruption measures, i.e. training programs on ethical conduct, anti-corruption measures, and professional ethics, need to be taken by NBR.	individual integrity, ethical conduct, anti-corruption measures, and professional ethics.				<ul style="list-style-type: none"> <li>Internal controls were established to make automated systems corruption resistant.</li> <li>6 audits conducted every two years (2025/2027/2029) for existing systems against WCO standards for anti-corruption for Customs Officials</li> </ul>		
								<b>21,780</b>	

**Strategic Pillar IV: Enhance Taxpayer Services and Voluntary Compliance**

SL	Activity title	Problem statement	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac taka)	Resource
<b>Cross cutting measures</b> <b>Direct and Indirect Tax</b>									
55	<b>Improving Taxpayer Services through Automation</b>	The existing return filing process is inefficient and burdensome, which creates stress for the taxpayers and tax officials reducing transparency. Automation is necessary to a) enable automated return processing and audit selection to eliminate public mistrust about the traditional audit and assessment process b) introduce electronic communication and services to reduce taxpayer footfall in tax offices, and save time and cost of compliance, c) address queries regarding tax issues, d) popularize online TDS system for enhancing revenue collection and e) introduce online, easy and transparent refund claiming system, all currently lacking in the	<ul style="list-style-type: none"> <li>• Filing return online with adequate provisions for data protection and securities</li> <li>• Executing automated and digitalized record keeping system</li> <li>• Having cloud computing-based online and offline return storage system</li> <li>• Establishing robust server system and data recovery/ backup system</li> <li>• Integrating and sharing data with government, non-government agencies as well as other service providers</li> <li>• Introducing automated audit selection system based on revenue risk profiles</li> <li>• Using taxpayers' electronic database for communication (for example, serving notices through email/SMS etc.)</li> <li>• Introducing virtual hearing</li> <li>• Initiating online application system for Appeal-Tribunal</li> <li>• Introducing AI based help desk/Bot tools</li> <li>• Developing robust and secured digital tax deduction/collection</li> </ul>	NBR	H	M Q2-2030	<ul style="list-style-type: none"> <li>• Semi-annual taxpayer surveys of at least 1000 taxpayers to confirm better services through automation</li> <li>• The number of visits to NBR offices is reduced by 10% annually starting in 2025.</li> </ul>	200	GoB/DP

SL	Activity title	Problem statement	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac taka)	Resource
		existing setup.	system <ul style="list-style-type: none"> <li>• Branding online return submission</li> <li>• Branding online TDS system</li> <li>• Introducing online refund claiming and receiving system</li> <li>• Introducing and branding e-challan</li> </ul>						
56	<b>Enhancing Taxpayer Education and Awareness</b>	There is a weak culture of tax morality and civic responsibility. This encourages non-compliance and leads to frequent disputes with taxpayers.	<ul style="list-style-type: none"> <li>• Conducting outreach programs, workshops, seminars, webinars etc. to engage with different segments of taxpayers such as individuals, businesses, professionals, students etc.</li> <li>• Providing clear and easily accessible information on tax laws, procedures, taxpayer rights and obligations on NBR websites and social media</li> <li>• Develop targeted messaging in appropriate mediums to explain tax and other regulatory obligations</li> <li>• Develop and distribute educational materials such as videos, animations, games etc. that can explain complex tax concepts in a simple and appealing manner</li> <li>• Provide plain language handbooks and FAQs on tax provisions, how to pay, etc.</li> <li>• Collaborating with stakeholders such as civil society</li> </ul>	NBR	H	M and L Q2-2027	<ul style="list-style-type: none"> <li>• 6 outreach programs conducted annually</li> <li>• Website fully developed as a resource for taxpayers by 2026</li> </ul>	50	GoB and/or DP

SL	Activity title	Problem statement	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac taka)	Resource
			<p>organizations, media outlets, academic institutions etc. to disseminate tax information and promote tax literacy</p> <ul style="list-style-type: none"> <li>• Ensure that all SROs, interpretations, rulings, and legal judgments are publicly available, on-line, indexed and accessible with an effective search engine (DB)</li> </ul>						
57	<b>Improving Voluntary Compliance</b>	There is an absence of shared responsibility and trust between citizens and the State which leads citizens to perceive a lack of legitimacy and fairness of the tax system	<ul style="list-style-type: none"> <li>• Simplifying the tax journey of a taxpayer and making it more transparent</li> <li>• Formulating policy tools to enhance tax justice</li> <li>• Providing incentives for a timely and accurate tax return filing</li> <li>• Strengthening enforcement of penalty for non-compliance and tax evasion</li> <li>• Improving capacity and integrity of tax administration and building a brand image for NBR</li> <li>• Arranging stakeholder consultation</li> <li>• Ensuring consistently (Regularly) informing taxpayers about the benefits of taxation and their contribution towards social welfare and development</li> <li>• Introducing online refund claiming with direct deposit to bank accounts</li> </ul>	NBR	H	M and L Q2-2027	<ul style="list-style-type: none"> <li>• Conduct at least 2 taxpayer consultation in each area (division/district Custom house or other TBD)</li> </ul>	40	GoB and/or DP



SL	Activity title	Problem statement	Actions/Activities	Responsibility	Priority (M, H)	Timeline (M, L)	Performance indicator	Estimated amount to implement (Lac taka)	Resource
			<ul style="list-style-type: none"> <li>Enhancing tax education and awareness.</li> </ul>						
58	<b>Providing Access to laws, rules and regulations</b>	Currently the rules/regulations/processes are published but those are sometimes difficult to understand, sometimes not easily available in internet and in some cases even if available it is very difficult to find the appropriate document.	<ul style="list-style-type: none"> <li>Make all rules/regulations/processes easily available, accessible and understandable through simplification to clients.</li> <li>Develop world class websites</li> <li>Available through internet.</li> <li>Develop mobile apps to make things more user friendly.</li> </ul>	NBR	H	M Q2-2026	<ul style="list-style-type: none"> <li>Website improved with easy access to documents</li> <li>Link to Bangladesh Trade Portal established</li> </ul>	10	GOB and / or DP
59	<b>Building Partnership with Businesses / stakeholders</b>	NBR and business partnership still happens in an ad-hoc and informal manner resulting in lack of proper feedback and rising grievances.	<ul style="list-style-type: none"> <li>Building NBR-to- business partnership in an institutional manner.</li> <li>Establish improved communication and feedback mechanisms so that any problem or grievance can be addressed regularly and in a timely manner.</li> </ul>	NBR	M	M	<ul style="list-style-type: none"> <li>SOP for NBR2B partnership developed and approved</li> <li>Two Roundtable/ year dialogues conducted.</li> </ul>	50	GOB and DP
<b>Indirect Tax- Customs</b>									
60	<b>Incentivizing the Taxpayers for Voluntary Compliance</b>	The existing Authorized Economic Operator (AEO) for long-trusted compliant firms offers limited	<ul style="list-style-type: none"> <li>Conduct a study with existing AEOs to identify strengths and weaknesses of the existing AEO program</li> </ul>	NBR	H	M	<ul style="list-style-type: none"> <li>Study report published</li> <li>The</li> </ul>	100	GOB

		facilities. As the benefits offered under AEO program are less attractive, the compliant firms are not getting enough incentives for their voluntary compliance.	<ul style="list-style-type: none"> <li>• Modify and expand the AEO program based on the study findings</li> <li>• Offer more benefits for the AEO</li> </ul>				number of AEO accredited firms increased by 20% annually.		
								<b>450</b>	

**Notes: Pillar wise estimated amount:**

<b>Pillar I: Develop Effective Policy &amp; Legal Environment –</b>	<b>BDT 1,80,00,000</b>
<b>Pillar II: Modernize NBR Administration –</b>	<b>BDT 186,720,00,000</b>
<b>Pillar III: Build and Develop Human Capacity –</b>	<b>BDT 217,80,00,000</b>
<b>Pillar IV: Enhance Taxpayer Services and Voluntary Compliance –</b>	<b>BDT 4,50,00,000</b>
<b>Total estimated amount for implementing the recommended actions –</b>	<b>BDT 209,130,00,000</b>

## **Annex B: Operational and Capacity Building Activities**

### **A. Operational Activities**

#### **Income Tax**

1. Implementing system to regularly update taxpayer registration and taxpayer profile
2. Implementing automated office management system including arrear management, register management, tax return record and management of reports and statistics
3. Tax Expenditure assessment and reporting
4. Establishing an automated litigation management system
5. Establishing machine-based auditing system
6. Conducting intensive stakeholder and taxpayer outreach program
7. Regularly reviewing HR needs keeping evolving economic, business, IT, micro-specialization, leadership and ethical issues in perspective
8. Review and update Taxpayers' Charter
9. Establishing a robust IT infrastructure to implement and manage end-to-end automation, big data analysis, data security etc.
10. Procuring sufficient logistics (e.g. vehicles) to increase operational and monitoring efficiency
11. Introducing exchange program with different tax agencies to orient the staff with international best practices
12. Establishing interoperability within different wings of NBR
13. Establishing data obtaining ecology with relevant agencies for ledgering TDS, identifying potential taxpayers and tracking financial transactions
14. Enhancing capacity for R&D, project development and management, and estate affairs
15. Establishing taxpayer service/call center

#### **Customs**

1. Strengthen and update E-auction system
2. Roll out the e-auction system covering all Customs stations
3. Introducing E-Advance Ruling System
4. Introducing E-Customs Agents management System
5. Establishing automated seizure and seized goods management system at all Customs Stations
6. Introducing IPR E-recording system
7. Introducing e-Car-pass system for land Customs Stations
8. Introducing faceless Bill of Entry assessment system
9. Implementing Bond Automation Project
10. Introducing API/PNR systems for passengers' movement
11. Procurement of detection and analysis tools (e.g., handheld portable devices, Ramon Spectrometer, chemical analyzer, etc.) for baggage checking and Customs interdiction in all Customs Stations in order to enforce anti-smuggling activities.
12. Introducing Electronic baggage declaration
13. Introducing electronic currency declaration system

14. Establishing Green Channel and Red Channel System in every Customs station for passenger movement
15. Strengthening international coordination, relationship with international organizations such as WCO, WTO, International Air Transport Association (IATA), International Civil Aviation Organization (ICAO), Convention on International Trade in Endangered Species (CITES), Regional Intelligence Liaison Offices – Asia-Pacific (RILO-AP), World Intellectual Property Organization (WIPO), United Nations Office on Drugs and Crime (UNODC), UN, Organization for the Prohibition of Chemical Weapons (OPCW), Interpol, etc.
16. Developing and strengthening bilateral customs cooperation arrangement including JGoC, MRA, CMAA etc. with strategically potential countries.
17. Developing coordinated Border Management (CBM) with neighboring Countries
18. Strengthening relationships with regional organizations such as South Asia Subregional Economic Cooperation (SASEC), South Asian Association for Regional Cooperation (SAARC), Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), D8, BBIN, Asia-Pacific Trade Agreement (APTA).
19. Establishing Central Customs Warehouse (CCW) for seized goods
20. Implementing BSW for faster, transparent and predictable Customs clearance
21. Implementation of Electronic Cargo Tracking System (ECTS) for cargoes bound for bonded warehouse, EPZs, EZ, Off-docks, project premises, transit and transshipment, etc.
22. Providing simplified clearance for perishable cargo.
23. Ensuring publication of legislation, rules, clearance procedures, regulatory requirements, notifications on Customs Website, NEP, and Bangladesh Trade Portal.
24. Preparation and update of Taxpayers Charter including services provided for each customs house as well as NBR.

#### **VAT**

1. Implement regular reviews to cleanse the registers and identify and deactivate inactive registrations.
2. Establishing automated Arrear Management System
3. Stakeholder Awareness program
4. Include Track and Trace for tobacco taxation
5. Establishing VAT project Management desk
6. Preparation and update of Taxpayers Charter including services provided for each Commissionerate as well as NBR.

#### **B. Capacity building domains for revenue officials:**

##### **Cross-cutting for Direct and Indirect Tax**

1. Tax expenditure analysis
2. Revenue forecasting
3. Data Analytics
4. Digital forensics
5. Public Procurement
6. Project management
7. Litigation management
8. Relevant Legislations, policies and procedures

9. Block-chain technology
10. Data mining
11. Big Data Analysis
12. 4<sup>th</sup> IR
13. Audit
14. Enquiry and Investigation techniques
15. Integrity
16. Leadership
17. Gender equity and diversity
18. Budget management

### **Income Tax**

1. Tax Policy Analysis and revenue forecasting 2.
2. Money laundering and asset recovery
3. Tax Evasion and Risk Management
4. Transfer Pricing
5. Intelligence management
6. Financial analysis and reporting
7. Forensic Accounting
8. Audit management
9. Risk Management
10. Taxpayers Registration
11. Return analysis
12. Taxing e-commerce
13. Arrear Management
14. Financial Report Analysis
15. Asset and debt recovery: freezing and seizing assets
16. Income tax process implementation challenges arising from digital transformation
17. Income tax challenges arising from cash economy
18. Transfer Pricing and BEPS
19. Digital Forensic Analysis to detect Tax evasion
20. Effective monitoring and evaluation system
21. Business process management
22. Treaty negotiations and international tax practices

### **Customs**

1. Classification
2. Valuation
3. Risk management
4. Intelligence management
5. Anti-smuggling and interdiction techniques
6. PCA
7. AEO
8. Intellectual property rights
9. Money laundering
10. Operation and maintenance (O&M)
11. Trade Negotiation

## Annex C: Response Matrix (Combined)

### Responses to Comments Received from Development Partners (DPs), Think tanks and Trade Bodies

SL	Issue	Comments Received	Responses (Direct and Indirect Tax)
1	<b>Automation/ Digitalization</b>	<p><b>CPD</b></p> <ul style="list-style-type: none"> <li>• Establish interoperable system connecting all NBR systems with other third parties (BB, Scheduled Banks, BEZA, BIDA, BEZA Service providers, Land Ministry etc.).</li> <li>• Systems modernization</li> <li>• Gradually move to a cashless payment system through e-payment of Customs, VAT and Tax (Finance Division’s A-Challan, BB’s RTGS and other payment systems)</li> </ul> <p><b>Policy Research Institute of Bangladesh (PRI)</b></p> <p>NBR should have all the information regarding taxpayers to assess taxpayers and collect the appropriate amount of tax. Modern tax administration has to be sophisticated and automated with full data access.</p>	<p>The strategic framework of this MLTRS emphasizes on end-to-end business process automation across all the three wings of NBR including ensuring interoperability of systems both within the organization and with other government systems. One of the goals of this strategic paper is to achieve this by accomplishing certain actions that are mentioned in the action plan. It also includes specific action plan for promoting formal transactions (e.g., electronic) and a cashless economy.</p>
		<p><b>Bangladesh Association of Software &amp; Information Services (BASIS)</b></p> <p>Digitalization has been focused on our discussion. This digitalization should be based on applications of Artificial Intelligence (AI). To enhance</p>	

SL	Issue	Comments Received	Responses (Direct and Indirect Tax)
		<p>efficiency, deploying AI to reduce the official discretion of NBR is important.</p> <p><b>The European Union (EU)</b></p> <p>Ensuring sustainable automation of the income tax system is crucial. That requires proper exit strategies for automation projects. Data integration with other agencies should be prioritized. There needs to be interoperability among the three wings of the NBR. Transforming into a paperless tax office should be a medium-term objective rather than a long-term one.</p> <p><b>Bangladesh Association of Software &amp; Information Services (BASIS)</b></p> <p>Data connectivity is missing. Data is available but not integrated. Access to data will help in implementing automated taxation.</p> <p><b>Institute of Chartered Accountants of Bangladesh (ICAB)</b></p> <p>Automation will help many challenges in the tax system. Lack of data is a major challenge. A concrete database is needed to enhance compliance.</p>	
2	<b>Revenue targeting</b>	<p><b>World Bank</b></p> <p>Sought-after revenue targets need to be updated for a credible reform pathway. The MLTRS is</p>	We acknowledge the concerns raised regarding the revenue target, particularly the tax-to-

SL	Issue	Comments Received	Responses (Direct and Indirect Tax)
		<p>expected to lay out at the outset a credible, well formulated and realistic revenue target. However, the document falls short to achieve this objective on account of at least two reasons: i) The tax/GDP ratio objective of 12.3 percent, was defined by the 8th Five Year Plan which is an unrealistic undertaking under current circumstances; and ii) there is little indication on how the 12.3 percent of Tax/GDP is sufficient to attain country's development expenditures goals and fiscal consolidation framework in the mid-term. The lack of a realistic revenue target outlined by the MLTRS is particularly distressing for a country facing the dire need to enhance DRM concomitant to its new phase of economic development.</p>	<p>GDP ratio objective of 12.3% as set forth in the 8th Five-Year Plan. As noted, this target reflects an optimistic outlook.</p> <p>It is important to highlight that the responsibility for setting the revenue target primarily lies with the Ministry of Finance, which has historically adopted an optimistic stance. The MLTRS has addressed these issues comprehensively, emphasizing the need for evidence-based policy development.</p> <p>After detailed discussions across the three wings of NBR and thorough consultations with the IMF team in 2023, NBR sets revenue growth in terms of tax-to-GDP ratio from FY24 to FY30 which are as follows:</p> <p>0.5% for FY24, 0.5% for FY25, 0.85% for FY26, 0.5% for FY27, 0.75% for FY28, 0.1% for FY29, and 0.15% for FY30, with a baseline of 7.6% in FY23 and a target of 10.5% for FY34.</p> <p>These targets reflect a more incremental and achievable approach to revenue growth, aligning with NBR's capacity and the country's economic context.</p>
3	<b>Separation of Policy from Tax Administration</b>	<p><b>Asian Development Bank</b></p> <p>ADB initially included this policy action but dropped it due to push back from NBR to be able to</p>	<p>At present in all the three wings of NBR, there are clear demarcation between policy formulation and implementation. The</p>



SL	Issue	Comments Received	Responses (Direct and Indirect Tax)
		<p>move forward within our timeline. The present Char also agreed in principle with the need to do so eventually. We recommend the creation of a professional tax policy unit, staffed by NBR staff, trained economists and statisticians and those with legal drafting expertise, independent of NBR. In addition, tax research capacity within NBR can also be improved through the measures to strengthen the R&amp;S wing as suggested in the MLTRS and other documents.</p> <p><b>World Bank</b></p> <p>The regulatory framework underlining NBR operation is identified as a hindering constraint, yet no specific actionable roadmap for reform is proposed. As currently in operation, the country's tax system is constrained by a host of regulatory obstacles embedded into tax rules and regulations underpinning NBR operations and taxpayer compliance, eroding public trust. Chiefly among them is the lack of separation between the policymaking and administration functions. Notwithstanding, other than the need to review the regulatory framework as spelled out in different parts of the document there is little indication a clear pathway for reform is to be followed. This shortcoming is of particular concern within NBR organizational structure. As it stands today, the stronghold</p>	<p>prevailing acts say the highest implementing authority is upon field level Commissioners whereas the policy formulation is administered by the NBR upon approval from the Parliament or approval from the finance minister.</p> <p>Crafting effective fiscal policies requires field experience and domain expertise. Separating the policy function from administration may not fully address existing challenges without first identifying issues in the current practices. While ADB has mentioned some sort of modality regarding this issue IMF and the world bank does not provide any details on the modality of this process, how the unit will be manned, what skill sets and experiences would be required by the staffs etc. Moreover, there is no concrete study that suggests separation of policymaking and administration functions. The comments so far not supported by any concrete study, may lead us to misunderstanding the core issue and may even have an adverse effect in domestic revenue mobilization including administrative and functional complexities.</p> <p>In this context, this strategy paper has incorporated a specific action to further examine the efficiency of the existing system and to conduct</p>

SL	Issue	Comments Received	Responses (Direct and Indirect Tax)
		<p>silos-orientation whereby Tax and VAT Wings separately arrange for both policy and administration affairs is one of the most pressing regulatory reforms for the years to come. Other than fully recognizing this regulatory constraint and pledging for reform, the MLTRS spells no roadmap for reform in its content. In tune with the rest of the document, diagnostics are not followed through with concrete, measurable and phased out reform actions, undermining the overall credibility of the reform strategy.</p> <p><b>International Monetary Fund (IMF)</b></p> <p>Institutional reform-separation of tax policy from tax administration which should be considered part of MLTRS. The MLTRS offers opportunity to rethink the entire revenue mobilization in Bangladesh and critically examine what is working well and what could be improved. The current practice of having three different tax policy departments, housed in the three wings of NBR alongside tax administration undermines tax policy formulation. Serious consideration should be given to moving the responsible tax policy formulation to the Ministry of Finance. Reorganizing the different NBR wings along functional lines should also be considered a medium-term objective of the strategy.</p>	<p>a diagnostic study to thoroughly assess these issues within policy formulation. Such a study will offer a clearer understanding of the underlying challenges, ensuring that any restructuring decisions are well-informed, aligned with MLTRS objectives, and avoid potential disruptions to the tax system.</p>
4	<b>Unification of</b>	<b>Asian Development Bank</b>	

SL	Issue	Comments Received	Responses (Direct and Indirect Tax)
	<b>LTU and Cadre Merging</b>	<p>An ADB report had initially proposed re-examination of the criteria for inclusion of units in the LTUs and a possible joint LTU, as a possible step forward to initiating a merger of the 3 wings and functional reorganization of NBR. NBR was found to be resistant to the idea of unification of the cadres, or even to simpler proposals such as to let officers of each cadre go on deputation to the other cadre for up to five years. Another step in this direction – to have the largest taxpayers enrolled in a joint LTU that focused on CIT and VAT (with a separate HNWI unit) was also discussed but not pursued further. These ideas should be brought back to the table, especially if a semi-autonomous revenue authority organized on modern functional lines is under discussion for the future.</p>	<p>NBR endorses seamless data sharing between its direct and indirect tax wings. Since the auditing modalities are different for both wings, the better option is to adopt a common digital platform to share taxpayers' data which has been proposed under Goal 3.</p>
5	<b>Strengthening of specialized units</b>	<p><b>World Bank and the European Union</b></p> <p>NBR transformation into a modern tax administration as envisioned by the MLTRS requires substantial improvement of centralized units tasked with planning functions. An effective operation of the Research and Statistics Wing and other specialized wings/offices (Central Intelligence Cell, VAT Intelligence, Customs Intelligence) is a critical element for NBR to embrace a modern organization layout whereby planning and operation tasks are adequately separated and defined.</p>	<p>Strengthening of different functional specialized units has been incorporated both in the strategic framework under multiple goals and also duly incorporated in the action plan.</p>

<b>SL</b>	<b>Issue</b>	<b>Comments Received</b>	<b>Responses (Direct and Indirect Tax)</b>

6	<b>Single rate for VAT</b>	<b>World Bank</b>  Implementation of the 2012 VAT policy framework is embraced by the MLTRS, without a credible pathway and timeline for reform. The need to turn the current VAT into a fully credit-system and final consumption tax aligned with international best practices, as per outlined in the 2012 bill proposal, remains for over a decade now as the most pressing tax reform in Bangladesh. Currently the VAT structure mostly shifts back the tax burden to domestic producers and exporters (instead of final consumers) while achieving dismal revenue results. From a tax policy perspective, in a nutshell the following reforms are needed to truly unleash VAT efficiency, administrative and revenue potential: <ul style="list-style-type: none"> <li>• Extend the credit-system to all sectors of production, from import and manufacturing to trade and services.</li> <li>• Eliminate truncated tax bases, restrict advance payments, and most withholding mechanisms.</li> <li>• Rationalize the tax rate structure (one single general tax rate and zero-rate for exports).</li> <li>• Limit exemptions to “merit goods” and few other sectors justified on administrative grounds (i.e., financial sector).</li> <li>• Recalibrate the VAT registration threshold.</li> <li>• Use of only market transaction prices to calculate inputs and credits.</li> </ul>	In Value Added Tax and Supplementary Duty Act, 2012 there are some distortions that exist like reduced rates which will be phased out gradually and by FY2034-35, any rates other than standard VAT rate will be eliminated.
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		<p>A credible commitment to VAT reform can only be reflected within the MLTRS if a road map for implementation is spelled out therein.</p>	
		<p><b>Asian Development Bank</b></p> <p>The draft document has laudable PAs such as “Assessing existing VAT policies and legislations in the light of best practices and find out the gap &amp; As above Periodic updating of the VAT and SD Act 2012 by adopting necessary modifications as and when required to align with the international best practices and address emerging challenges to support domestic resource mobilization.” ADB had also tried to get NBR to commit to returning to the original VAT act of 2012 from its present version (with the required modifications if made necessary due to the passage of time, such as cross border VAT etc.). NBR refused and only committed to moving as many items as possible out of the truncated VAT regime to the 15% invoice credit VAT. We believe this agenda should be taken up again. Similarly, there does not seem to be any plan to merge the multiple CIT rates into a standard rate as is done in most countries.</p>	
		<p><b>Policy Research Institute of Bangladesh (PRI)</b></p> <p>We have truncated our VAT system and turned it into multistage excise duty. We should go back to the original 2012 VAT provisions and restore the system keeping 2-3 rates. Multistage excise duty is hurting the SME sector and horizontal business.</p>	

7	<b>Tax expenditure rationalization</b>	<p><b>World Bank</b></p> <p>The Tax Expenditure Report issued in parallel with the MLTRS provides the technical underpinning to manage the policy rationalization of tax incentives pursued therein. As recognized in several sections of the MLTRS document the rationalization of tax incentives is a necessary condition towards revenue enhancement and tax fairness. Subject to third party review following best practices, the tax expenditure budget released by NBR attach a revenue tag equivalent to about 3.6 percent of GDP of revenue foregone mostly due to tax incentives and other type of concessions embedded in the tax legislation. While the MLTRS devotes only scattered references to such a critical area of tax policy reform, associated with limited proposed actions, commitment to reductions of tax expenditures in the mid-term needs to be clearly spelled out. Moreover, a more transparent framework for the approval, evaluation, and monitoring of tax incentives is also desirable to be included into the MLTRS program. The credibility of the overall revenue target embraced by the MLTRS hinges on an effective management of tax expenditures, now mostly absent from the narrative.</p>	<p>In Goal 2 of the strategic framework of this MLTRS emphasizes on rationalizing tax expenditures for Income Tax and VAT to ensure they align with policy objectives and revenue targets. The strategy also includes specific plan to phase out VAT exemptions for certain sectors or entities/projects.</p>
8	<b>Digital economy and e-commerce sector</b>	<p><b>World Bank</b></p> <p>The action plan of the MLTRS mentioned increasing collection from digital economy and e-</p>	<p>Noting the significant growth potential of the digital economy and e-commerce, in</p>

		<p>commerce to increase revenue generation. But this sector is in a very nascent stage and businesses should not be scared with high taxation.</p>	<p>order to increase the tax to GDP ratio, this paper has incorporated specific actions under the broader strategic framework as mentioned in Goal 2.</p>
9	<p><b>Research and Statistics capacity building</b></p>	<p><b>World Bank</b></p> <p>The revenue strategy could include a revenue impact analysis of the proposed reforms. Such analysis provides useful information on how proposed reforms will affect revenue, enabling decision-makers to make informed choices. It would also help prioritize the most beneficial and critical reforms to achieving medium-term revenue targets. Lastly, a revenue impact analysis would provide a baseline against which actual performance can be measured, facilitating performance monitoring and evaluation, and enabling timely adjustments to strategies and actions based on real-time revenue data and outcomes.</p> <p><b>Finance Division</b></p> <p>Restructuring the Research and Statistics Wing of the NBR with adequate capacity building is recommended.</p> <p><b>Policy Research Institute of Bangladesh (PRI)</b></p> <p>The administration should be data-centric, based on research findings.</p> <p><b>Bangladesh Association of Software &amp; Information Services (BASIS)</b></p>	<p>Emphasize on heavily investing in capacity building and restructuring of the Research and Statistics Wing to lead tasks such as tax gap analysis, developing algorithms for automated audit selection and refund forecasting etc. has been incorporated in the strategic framework under goal 2 of this paper and in the action plan as well.</p>



		Financing should be increased in research and development, branding and promotion, and capacity building. The strategy should have a review process on how the financing will be facilitated.	
10	<b>Voluntary compliance</b>	<p><b>World Bank</b></p> <p>Addressing the compliance gap is crucial to enhance revenue generation. The strategy identifies the voluntary compliance challenges and suggests strategies focusing on compliance improvement. However; to enhance clarity, it would be beneficial to outline specific actions and their implementation timelines. This detailed approach will enable development partners to better support NBR's efforts. Additionally, organizing these actions based on priority will further streamline the process and facilitate more effective implementation.</p> <p><b>International Monetary Fund</b></p> <p>Establishment of compliance risk management should be reflected on the MLTRS. Supported by the IMF program, NBR is working to set up compliance risk management units in each of the three wings by June 2024. This should be complemented as soon as possible with the elaboration of compliance improvement plans and establishment of CRM committee to coordinate the work of the three units.</p> <p><b>The European Union</b></p>	<p>Compliance risk management unit is established under Audit, Intelligence and Investigation Directorate, VAT. It has been proposed in the action plan to establish separate Risk Management Commissionerate for income tax and VAT.</p> <p>Simplification of policy and legislative framework has been proposed under Goal 3 for making it convenient for the taxpayers to understand and comply with obligations.</p> <p>Developing targeted public messaging in appropriate mediums and plain language taxpayer handbooks and FAQs to facilitate communication with taxpayers has been proposed under goal 3.</p>

		<p>For promoting voluntary compliance, it is very important to consider user-friendly procedures and have help desk or something like service center.</p> <p><b>ADB</b></p> <p>Compliance gap analysis and analytics capability: Now that tax expenditures are included in the work program, capacity building and overall focus must shift towards compliance gap analysis, and other analytics geared towards forecasting, risk management and performance measurement. This is tied up somewhat with the first point on where such capacity should be housed but activities can proceed in parallel. The focus should be on retention. It is not feasible or desirable to train staff in these specialized tasks and have them move every three years. We are already getting requests for repeating the tax expenditure training that both ADB and IMF provided due to transfer and movement of the trained officials. There should be emphasis on creating an institutional memory and internalizing the capacity building (perhaps in internal training facilities).</p> <p><b>Economic Relations Division (ERD)</b></p> <p>The MLTRS should prioritize improving compliance mechanisms and simplifying services. Taxpayers should feel positive about paying taxes.</p>	
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		<p><b>Policy Research Institute of Bangladesh (PRI)</b></p> <p>A modern tax system will be taxpayer friendly. Communication with taxpayer should be email based without any personal contact. It will ensure quality service and reduce scope of corruption.</p> <p><b>Bangladesh Association of Software &amp; Information Services (BASIS)</b></p> <p>Tax campaigns should focus on how taxes contribute to society. Taxpayer friendly environment and process simplification will enhance voluntary compliance.</p> <p><b>The European Union</b></p> <p>For promoting voluntary compliance, it is very important to consider user-friendly procedures and have help desk or something like service center.</p>	
11	<b>Filling up vacant positions</b>	<p><b>Institute of Cost and Management Accountants of Bangladesh (ICMAB)</b></p> <p>The strategic plan should look into how to deal with the challenges of human capacity/manpower. In most cases, not all allocated positions are filled. So, the Ministry of Public Administration (MOPA) and FD do not endorse new positions for the NBR.</p>	<p>Filling vacant positions is a regular activity for NBR and should be carefully monitored to ensure proper execution.</p>

### Comments received on the Final draft of MLTRS from IMF

Comments	Response / Action taken by the MLTRS team
<p>We appreciate the opportunity to review this final draft. In general, it is well written and improves substantially after addressing development partners’ comments in the previous version. Notably, the consolidation of two separate MLTRs for income tax and indirect tax into a single document enhances clarity and coherence.</p>	<p>Noted with thanks</p>

#### General Comments

<p>The MLTRS sets a clear ten-year time frame with breaking down into a medium term (FY 2025/26 – 2029/30) and long term from FY2030/31 to FY2034/35. The domestic resource mobilization challenges have been well elaborated.</p> <p>The MLTRS could elaborate how the MLTRS will address the challenge posed by the lack of coordination, cooperation and collaboration arising from independent and siloed operations of the three NBR wings.</p>	<p>To enhance coordination, cooperation, and collaboration among the three wings of the National Board of Revenue (NBR) - Customs, VAT, and Income Tax, multi-pronged approach can be adopted. This approach will focus on breaking down silos, fostering integration, and promoting joint efforts to ensure seamless operations.</p> <p><b>1. Automation and Integrated Systems:</b></p> <ul style="list-style-type: none"> <li>• <b>Single Data Repository:</b> Establish a unified taxpayer database that integrates data from Customs, VAT, and Income Tax wings. This will eliminate duplication, reduce errors, and provide a holistic view of taxpayer activities.</li> <li>• <b>Integrated IT Systems:</b> Implement an integrated IT platform that allows real-time data sharing and communication among the three wings. This will streamline processes such as taxpayer registration, return filing, and compliance monitoring.</li> </ul> <p><b>2. Joint Programs and Collaborative Initiatives:</b></p>
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<p>The MLTRS should have a clear <b>deadline/milestone on the completion of each action</b> instead of setting a beginning date.</p>	<ul style="list-style-type: none"> <li>• <b>Joint Audits:</b> Conduct joint audit programs involving all three wings to address cross-functional issues such as transfer pricing, under-invoicing, and tax evasion.</li> <li>• <b>Transfer Pricing Audits:</b> Transfer pricing units of both wings will jointly conduct audits that leverages expertise from Customs, VAT, and Income Tax teams to ensure comprehensive scrutiny of multinational transactions.</li> <li>• <b>Money Laundering Investigations:</b> Collaborate with the Financial Intelligence Unit (FIU) and other relevant agencies to investigate money laundering and other financial crimes, ensuring a coordinated approach.</li> <li>• <b>Task Forces:</b> Create cross-functional task forces to address specific challenges, such as combating smuggling, identifying tax evasion, and improving compliance.</li> </ul> <p><b>3. Capacity Building and Training</b></p> <ul style="list-style-type: none"> <li>• <b>Cross-Training Programs:</b> Organize training sessions where officials from one wing are trained in the functions and processes of the other wings to foster mutual understanding and cooperation.</li> <li>• <b>Workshops and Seminars:</b> Conduct regular workshops and seminars to discuss common challenges, share best practices, and build a culture of collaboration.</li> </ul> <p>Milestone dates have been incorporated.</p>
<p>The <b>MLTRS needs to strengthen its response</b> to the recommendation on the structural separation of tax policy from tax administration as this is a priority reform under various partners supported programs.</p>	<p>Incorporated as per the directives and suggestions received from DPs and the government.</p>

<p>The MLTRS could include clear statement on the non-fiscal / non-revenue goals. This is usually discerned from the national development plans as a desired outcome of the strategy so that to gain public support of the MLTRS. For example, the MLTRS could clarify how the government will use the additional revenue delivered by the MLTRS to benefit its population and improve the economy. These may be captured in a strategic statement for the MLTRS.</p>	<p>Text- inserted in introduction chapter as follows: The MLTRS is not merely a fiscal tool but a transformative framework designed to support the nation's development aspirations. By modernizing the tax system, enhancing compliance, and improving revenue collection, the MLTRS aims to generate the resources necessary to fund critical public services, infrastructure, and social programs. The additional revenue delivered by the MLTRS will be strategically invested to achieve the following non-fiscal goals, as outlined in the national development plans:</p> <ul style="list-style-type: none"> <li>• Enhancing Public Service Delivery, i.e. healthcare, education, social safety nets.</li> <li>• Building Sustainable Infrastructure</li> <li>• Promoting Economic Growth and Job Creation by supporting SMEs, agricultural modernization.</li> <li>• Strengthening Governance and Institutions</li> <li>• Fostering Inclusive Development</li> </ul>
<p>The roles of Capacity Development and Development Partner (DP) Coordination could be more explicitly defined. One of the four pillars of the MLTRS is modernizing tax administration through tax system reform and coordinated capacity building. Achieving this goal depends on a well-defined capacity development plan and a structured framework for DP coordination.</p> <p>The action plan acknowledges that some resources will be provided by DPs. Given the strong interest from multiple DPs in supporting Bangladesh's DRM agenda, it is essential for the MLTRS to outline how the government will coordinate these efforts to enhance collaboration and maximize synergies. Additionally, the proposed pilot Joint Domestic Revenue Mobilization (DRM) initiative for Bangladesh—which envisions intensive collaboration between the World Bank and IMF on specific DRM aspects—may</p>	<p>In Pillar 3 of the MLTRS, which focuses on human capacity development, several actions are centered around capacity development. Development Partners (DPs) can play a pivotal role in supporting these initiatives. A detailed rollout plan for DP engagement can be developed during the implementation stage, ensuring their contributions are aligned with the MLTRS objectives and national priorities.</p> <p>All the DP support and efforts will be coordinated to enhance collaboration and maximize synergies during implementation.</p>

provide a valuable opportunity to strengthen this coordination.	
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### MLTRS Goals

The MLTRS revenue goal is to increase tax-to GDP revenue by 3.2 percentage points over the MLTRS time frame. However, we suggest the MLTRS explain its relation to the revenue targets in Perspective Plan 2041 and the 8th FYP (discussed in paragraphs 2.1.7 and 2.1.8). It needs to explain the deviation and how it relates to the more ambitious revenue targets in other government strategies.	Revenue targets were decided in consultation and directives of the higher authority.
<p>During action planning phase, we recommend break down this goal by each year of the MLTRS and by proportionate contribution from direct taxes and indirect taxes. This will allow for selection of targeted initiatives that will contribute to the revenue goal.</p> <p>a) The revenue goal should be costed and distributed throughout the MLTRS framework. For instance, how much revenue in Taka is required to increase the tax-to-GDP ratio from 7.3 percent to 10.5 percent by 2034-35. Furthermore, the MLTRS should provide guidance on the source of increase, including tax policy reform in terms of income tax, VAT and Customs and tax administration improvement. This will help relevant government agencies to share the responsibility during action planning and implementation.</p>	<p>The action matrix is modified, all possible actions have been budgeted.</p> <p>Cost Allocation provided against each action and summarized according to Pillars.</p>

### Action plan matrix

There are 63 actions listed as strategic responses to realize the MLTRS goals. We suggest the action plan <b>matrix could clarify how</b> each action will address or	Action plans are based on the discussion in the text of the MLTRS. The MLTRS goals are greatly related which was demonstrated in the strategic framework chapter
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contribute to realization of the MLTRS goals.	[chapter 4]
We suggest integrating all similar desired actions irrespective of wings of NBR. For example, all actions <b>relating to automation</b> should be placed under one action point on automation and elimination of manual processes.	Actions plans have been revised accordingly.
<p><b>Cross functional Compliance Risk Management Unit (CRMU)</b></p> <p>The MLTRS doesn't have any proposal among the 63 action plans to create a <b>cross functional CRMU</b>. This initiative is critical to realization of most of the MLTRS Goals, particularly for 3, 4 and ultimately for goal 2.</p> <p><b>MLTRS Governance and implementation framework</b></p> <p>The MLTRS has a robust steering committee led by the NBR chairman supported by the Liaison and implementation Committee and an institutional support team. Its effectiveness will depend on the timely fulfillment of their roles at each level.</p> <p>a) Other institutional arrangements for MLTRS in changing management stakeholder engagement and communications, monitoring and evaluation are also well elaborated.</p>	Risk related action plan have duly incorporated in the action matrix for establishing CRMU.

## Annex D: Country Benchmarks

The Platform for Collaboration on Tax (PCT), which comprises the Organization for Economic Cooperation and Development (OECD), the International Monetary Fund, the World Bank, and the United Nations, proposed to G20 Finance Ministers in 2016 that developing countries create and execute their own Medium-Term Revenue Strategy (MTRS) to increase revenue mobilization sustainably (Platform for Collaboration on Tax, 2023). In line with this, some MTRS are currently in the implementation stages while others are still in the formulation and pre-formulation stages. Only four nations, Liberia, Uganda, Papua New Guinea and Egypt, have published and begun to apply their MTRS to date.



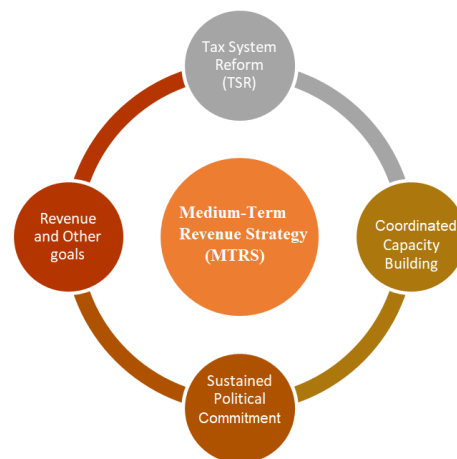
No	Country	Pre-Formulation	Formulation	Early Implementation	Implementation
1	ALBANIA				
2	BANGLADESH				
3	BENIN				
4	CAMEROON				
5	EGYPT				
6	ETHIOPIA				
7	GEORGIA				
8	HONDURAS				
9	INDONESIA				
10	JORDAN				
11	KENYA				
12	LAO PDR				
13	LIBERIA				
14	MALAYSIA				
15	MONGOLIA				
16	MOROCCO				
17	MYANMAR				
18	PAKISTAN				
19	PAPUA NEW GUINEA				
20	RWANDA				
21	SENEGAL				
22	THAILAND				
23	TOGO				
24	UGANDA				
25	UZBEKISTAN				
26	VIETNAM				

*Source: PCT Progress Report, 2023*

MTRS (Medium Term Revenue Strategy) has been described as a comprehensive tax reform plan depending on circumstances of a country and level of institutional capacity. It includes redesigning policy structure, reforming revenue administration and compliance structure, and establishing a strong legal framework for maintaining balance between power of revenue authorities and rights of taxpayers (PCT, February 2017; ActionAid, 2021). MTRS, also termed as DRMS (Domestic Revenue Mobilization System) in some countries, primarily emphasizes on progressive taxation to promote equity and transparency. In MTRS, some policy proposals were directed to achieve these objectives by strictly subjecting non-compliant taxpayers to tax laws. Renegotiation of DTAAAs (Double Tax Avoidance Agreements), taxing HNWIAs (High Net Worth Individuals) and abolishing tax exemptions and incentives are some other key policy suggestions made by MTRS to ensure fairness and progressivity in the tax system.

MTRS also supports evolution of policy and administration while enabling short-term measures consistent with fundamental improvement visions. It has the following four key components (The Platform for Collaboration on Tax, 2023):

- Revenue and Other Goals
- Tax System Reform (TSR)
- Coordinated Capacity-building
- Sustained Political Commitment



**Revenue and Other Goals:** This MTRS component evaluates financial resources required for economic and social development, guided by government and important stakeholders, focusing on recovery from pandemic, mitigating economic crisis in the era of international conflicts and SDG financing.

**Tax System Reform (TSR):** It is the road map for reform, encompassing policy, revenue management, and legal framework. It aims to generate revenue sustainably overcoming the unwanted situations such as pandemic and international conflicts. It also emphasizes in achieving SDGs, promoting private sector development, and achieving other social goals like health outcomes, climate related outcomes, and fairness and equity.

**Coordinated Capacity-building:** In coordination with international organizations and development partners, it secures government led tax system changes and indicates resource-needs for reforms and capacity building. It also indicates alignment and coordination with other intra-governmental initiatives.

**Sustained Political Commitment:** It emphasizes the government's long-term commitment to tax system reforms ensuring political support along with the whole-of-government approach.

## KEY MTRS EXPERIENCES

Strengthening domestic revenue mobilization efforts has been identified as the most suitable and sustainable method for achieving SDGs by international development community (Financing for Development Conference in Addis Ababa, Ethiopia, 2015). In Addis Ababa, it was expected that several developing countries will design their own MTRS and through the strategies they will secure financing in developmental and social expenditures. However, only a few countries namely Uganda, Liberia and Papua New Guinea were able to meet the expectations (ActionAid, 2021). MTRS development in most countries has been slow and insignificant, and the strategies are mostly based on already existing reform policies. The COVID pandemic has been a major impediment in implementing reforms suggested in MTRS.

There is also a lack of capacity for effective interaction with government and civil society. For instance, the rate of incorporation of policy suggestions submitted by Civil Society Organizations (CSO) has been very insignificant. In Uganda, a strong partnership exists between CSOs and the government and hence, CSOs played a pivotal role while drafting and incorporating MTRS proposals in Uganda (Action Aid, 2021). In Liberia, the contribution of

the CSOs in the final published report could not be specifically delineated despite the fact that they were part of the consultation process. In Papua New Guinea, the prior studies and technical reports were considered to be the vital basis during MTRS process and CSOs were engaged indirectly through their contribution in past tax reforms.

#### **UGANDA (2019 - 2024)**

DRMS in Uganda was principally formulated through consultation with stakeholders throughout the process. The procedure included detection of critical needs, difficulties and potential risks involved in policy formulation and administrative implementations. The Government of Uganda adopted some proposals made by CSOs, although some issues related to gender and tax were dropped because of a lack of supporting evidence. The recommended policies by CSOs which were accepted by the government are as follows:

- Appraisal of corporate tax exemptions and incentives;
- Assessment of zero-rated products and exemptions related to VAT; and
- Assessment of the currently existing Double Taxation Avoidance Agreements (DTAA) or cross-border tax regimes and plan for renegotiation.

The fairness and transparency of the tax system was one of the preliminary objectives of DRMS in Uganda. Requirement of tax clearance certificates to be submitted for renewing trade and service licenses and enforcement of withholding taxes were robust policy strategies targeted at non-compliant taxpayers. Renegotiation of DTAAAs was also aimed in establishing fairness, equity and progressivity of the tax system.

The following measures were taken by the Ugandan tax administration as part of their Medium-Term Revenue Strategy.

<b>Reforms related to tax policy</b>	<b>Measures implemented by tax administration</b>
<ul style="list-style-type: none"> <li>• Reforming tax policy formulation procedure with an aim to widen tax base through involving larger part of population and taxpayers.</li> <li>• Formulating and publishing a comprehensive report on tax expenditures.</li> <li>• Establishing a strong system for taxing informal sectors.</li> <li>• Scrutinizing tax exempted and zero-rated products to enhance and strengthen productivity of value-added tax (VAT).</li> <li>• Appraising and assessing tax incentives and exemptions to understand their costs and benefits.</li> <li>• Establishing a strong tax regime to apply</li> </ul>	<ul style="list-style-type: none"> <li>• Develop human resource capacity.</li> <li>• Create a modern IT system to be used and implemented by the Uganda Revenue Authority.</li> <li>• Increase taxpayer registration.</li> <li>• Establish a strong tax compliance unit for both the tax and customs wings.</li> </ul>

to the industries involved in extraction of minerals and resources.	
<i>(ActionAid, 2021)</i>	

### **LIBERIA (2018 – 2022)**

The overall objective of the MTRS in Liberia (termed as DRMS) was to identify and guide national initiatives to mobilize resources for inclusive growth and poverty reduction to achieve Liberia Rising 2030 program (MoFDP, 2021). The strategy focused on minimizing tax evasion, bringing the informal sector within the tax net, combating factors facilitating tax gaps and analyzing existing laws, concession agreements and administrative orders in the process. It was aimed to promote voluntary tax compliance by building public confidence in tax administration and by rewarding compliant taxpayers. One of the strategies was to mobilize resources from the private sectors that contribute in executing flagship projects. The following reforms associated with tax policy and administration were incorporated as DRMS policies:

- Taxing individuals with high net wealth and property sector
- Bringing the informal sector within the net of formal economy
- Restricting emergency administrative orders and abolishing Memoranda of Understanding with companies regarding allowance of tax credits and thus decreasing tax expenditures
- Introducing licensing regime instead of concession agreements
- Reducing tax exemptions with the aim of minimizing tax expenditures
- Making it compulsory for the professional service providers to submit tax clearance certificates while renewing licenses.

Several stakeholders such as the Government, development partners, donors, CSOs, business associations, academia, and community leaders were involved in the consultation process of DRMS. A number of meetings were held throughout the strategy development phase, including:

- All 15 counties of Liberia arranged regional dialogue for meeting a cross-section of taxpayers and some CSOs
- Government ministries, departments and agencies organized more than 40 bilateral meetings with the business community, academia, development partners, CSOs, ethnic communities, and religious opinion leaders

Liberia entered into a second round of consultation seeking for stakeholders' comments followed the publication of the draft strategy. There were a number of regional validation workshops that were conducted along with representatives from the stakeholders. A final meeting 'National Revenue Symposium' was convened afterward for consultation with cabinet ministers, public and private stakeholders, CSOs, and donors.

In the consultative meetings, more emphasis was given on taxing the property sector and high net-wealth taxpayers, abolishing tax exemptions and enhancing tax-free limits. These proposals were focused on strengthening the fairness of the tax system. It was proposed to tax income from mining and real estate sectors progressively. This is because the property owners escape paying their fair share of tax due to existing tax exemptions and incentives. The true beneficiaries and the actual economic cost of tax exemptions and incentives were revealed in the published tax expenditure assessment report.

## **PAPUA NEW GUINEA (2018 – 2022)**

MTRS for Papua New Guinea was facilitated by the technical and tax reform reports of IMF. The Papua New Guinea Tax Review (2015), Medium Term Tax Policy Reform, and Selected Tax Policy Issues Report (IMF 2017) formed the foundation of the strategy. The ultimate objective was to establish a digital and robust tax administration with improving fairness, efficiency and equity. DRMS policies in Papua New Guinea include the following tax policies and administrative reforms:

### ***Tax Policy Reforms:***

- Abolishing tax concessions, exemptions, and preferential arrangements
- Shifting the focus of income tax base from labor income to consumption
- Taxing real estate under capital gain tax regime with special focus on mining and petroleum licenses
- Assessing existing tax incentives and reviewing relevance and assessing whether a low Corporate Income Tax (CIT) can be accommodated
- Proposing a better tax regime for the extractive industries after assessing the relevant fiscal regime
- Reducing complexity for the taxpayers by simplifying and modernizing existing tax laws
- Improving tax expenditure reporting
- Assessing tax regime for goods and services and removing zero rated products
- Imposing presumptive tax on small and medium enterprises which have a turnover below the VAT threshold
- Introducing new tax regime like bank tax for bank assets and land and wealth taxes

### ***Tax Administration and Legislation Reforms:***

- Executing the new Tax Administration Act
- Formulating a taxpayer service charter/ strategy
- Planning for a short-term revenue recovery
- Updating IT systems
- Rationalizing the Income Tax Act and reducing complexity
- Developing capacity of the new Revenue Policy Division
- Developing capacity for economic analysis and modeling of the mining and petroleum sectors

MTRS in Papua New Guinea has focused mainly in progressive components. Imposing capital gain taxes on real estate and sale of mining licenses, restructuring personal income tax regime through abolishing exemptions and incentives, and publishing tax expenditure report are progressive measures. On the other hand, putting more emphasis on consumption tax, taxing tobacco, alcohol and fuel, and reducing corporate tax rates are more regressive in nature.

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