

# NBR gets down to work on tax rate rationalisation

**Board acts on finance minister's directive**

Doulot Akter Mala | Sunday, 20 January 2019

The National Board of Revenue (NBR) has initiated the process of rationalising the tax rates after being directed by new finance minister AHM Mustafa Kamal.

Officials said the existing tax rates for corporate and individual taxpayers will be reviewed, looking at the possible impact on the revenue in case taxes are raised or lowered next year.

To conduct the exercise, the income tax wing of the board formed a four-member committee.

The committee will submit its report with a detailed analysis to the tax-collecting authority within a month.

The body will also examine the necessity for rationalised and balanced tax rates for the expansion of tax net, suggest the formation of smart tax administration for improving country's investment scenario and work on revising the existing tax rates in line with international best practices.

Rationalisation of tax rates on the basis of the report and recommendations of the committee may happen in the next budget, officials said.

Talking to the FE, a senior NBR official said it is necessary to rationalise the existing tax rates to boost investment.

Although the government cut corporate tax rates by 2.5 per cent for banks and non-banking financial institutions, it is still considered one of the highest in the region, he said.

Experts and foreign investors have also been suggesting that the government frame a long-term plan for bringing down corporate tax rates.

Trade lobbyist groups and investors on several occasions said they find it difficult to prepare investment plan due to the frequent changes in tax rates in every national budget.

Taxation subcommittee convener of the Foreign Investors Chamber of Commerce and Industry (FICCI) Abdul Khaleque said the government should set a target to reduce the corporate tax rate by at least 10 per cent over the next five years.

"The actual tax incidence for corporate taxpayers is much higher than that of the corporate tax rates due to higher disallowance by taxmen," he said.

Mr Khaleque, who is chief financial officer (CFO) of Berger Paints Bangladesh Limited, said the tax structure is not so investment-friendly.

NBR officials said the income tax wing has not yet held any formal meeting with the new finance minister on income tax issues.

They said the finance minister's instruction to review the existing tax rates and make it investment-friendly came through the NBR chairman.

The revenue board officials said they fear a large shortfall in revenue collection this year on account of massive tax exemptions.

Until November, tax revenue collection fell short of its target by 21.60 per cent as three of the NBR wings experienced deficit.

The NBR posted 7.15 per cent growth in tax collection in the July-November period compared with the same period a year ago.

However, the revenue collection growth of the NBR was 16.52 per cent in this period last year.

Average revenue collection growth of the last five years is 13.64 per cent, according to the NBR data. In the first five months of the current fiscal year (FY), the NBR is lagging behind its average growth. For the current fiscal, the government set a Tk 2.96 trillion target for the NBR, expecting around 35 per cent growth over the last year. Experts suggest widening the tax department along with rationalising tax rates to widen the net in the growth centres, where economic activity has expanded rapidly.  
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