CORPORATE TAX TRANSPARENCY
ISSUES AND CONCERNS IN BANGLADESH

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Abstract

Corporate taxation's transparency concerns have drawn regulatory bodies' and policymakers' attention. Global corporate income tax remains a key revenue source, shaping economic behaviour and resource distribution. However, profit-shifting practices have led to tax evasion, avoidance, and money laundering, impacting government revenues and development goals. Developing countries like Bangladesh face severe socio-economic consequences from these practices. In Bangladesh, the magnitude of tax loss reaches a staggering BDT 842 billion, representing a substantial 30.2 per cent of the total economy. Tax evasion is responsible for a tax loss ranging from BDT 418 billion (15 per cent estimate) to a staggering BDT 2,230 billion (80 per cent estimate). Tax avoidance, on the contrary, results in a loss ranging from BDT 140 billion (5 per cent estimate) to BDT 695 billion (25 per cent estimate). The tax loss is 2.6 times the health sector expenditure and equals 100 per cent of the education and technology budget. It surpasses social safety and welfare expenditure by 300 per cent and accounts for over 60 per cent of the total budgeted expenditure of BDT 1,395 billion in 2021 across vital sectors like health, education, technology, social safety, and welfare. This study highlights the need for tax transparency and offers recommendations for widening the tax net, rationalizing exemptions, promoting digital transactions, addressing corruption, and adopting successful models. Mandatory sustainability reporting is proposed for increased transparency. Prioritizing tax transparency can propel countries toward equitable growth and well-being through effective fiscal management and targeted social spending.

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The report was authored by *Dr Khondaker Golam Moazzem*, Research Director, CPD, *Shah Md Ahsan Habib*, Professor, Bangladesh Institute of Bank Management (BIBM), and *Ms Chowdhury Fariha*, Former Programme Associate, CPD.

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Acronyms

BDT	Bangladeshi Taka
FATF	Financial Action Task Force
FSB	Financial Stability Board
FY	Fiscal Year
GDP	Gross Domestic Product
GoB	Government of Bangladesh
GRI	Global Reporting Initiative
IMF	International Monetary Fund
IPO	Initial Public Offering
KII	Key Informant Interview
LEI	Legal Entity Identifier
NBR	National Board of Revenue
QIES	Quarterly Informal Economy Survey
RJSC	Registrar of Joint Stock Companies and Firms
RMG	Readymade Garments
SDGs	Sustainable Development Goals
TJN	Tax Justice Network

1. Introduction and Objectives

Background

Corporate taxation has been a complex issue in businesses, and transparency has been a matter of scrutiny by the regulators and policymakers associated with tax affairs. In the global context, corporate income tax remains a significant source of tax revenues for governments. In fact, the tax structure of an economy depends on its tax base, tax rate, and how the tax rate varies in goods, services, and sectors. Tax structure influences economic behaviour and the distribution of resources. Corporate tax structure has implications for the distribution between debt and equity, and distribution of corporate investments in accordance with the tax treatment (Hines, 2001). Tax considerations influence particularly strongly the operations of corporations because the corporate tax structure in the global economy allows companies to shift profits to avoid paying taxes, thereby starving governments of revenue needed for public investments (Siripurapu, 2021).

Tax transparency concerns are associated with the tendency of tax evasion and tax avoidance by corporate entities that have notable implications for government revenue loss and expenditure on socially desirable sectors (Lynne and Penelope, 2019). Tax evasion is associated with concealing income or relevant information from the tax authorities, whereas tax avoidance is an action taken to lessen tax liability. Although both results in loss of government revenue, tax avoidance is legal but tax evasion is illegal (Shakila, 2019). Tax avoidance and tax evasion broaden the poverty circle and erode the economy of developing countries (Oxfam International, 2013). Transparency by companies involves providing information that allows society to evaluate their activities and is often mobilised as a mean to some other end, rather than a goal in itself (Nielson, 2009). Several studies suggest investors perceive a mandatory increase in tax transparency as a potent tool in curbing tax evasion and avoidance (Verena et.al, 2018).

Now, a key policy concern of policymakers is to address the challenges of money laundering that is pursued by perpetrators to evade taxes. In cross-border trade transactions, under-invoicing, and wrong declaration on tradable is the common origins of tax dodging that is recognised modes of money laundering. In the increasingly globalised world, with the growing cross-border trade and financial flows, corporate tax transparency and tax evasion have connections with money laundering (EPRS, 2017).

Tendencies to hide income-generation activities are common processes in the global economy. Addressing this issue demands a profound knowledge of the size of the shadow economy and the extent of tax evasion (Oliver, 2014). The data published by the World Bank, Transparency International, and national institutions testify the high level of the shadow sector in several global economies; and tax evasion because of the high level of the shadow economy has a direct impact on fiscal sustainability reducing public funds for current and capital expenditures (Osmani, 2015).

Tax structure or tax system, the capacity of the tax administration, and digitalisation are also associated with tax transparency issues and the capacity of revenue generation in an economy. The website of the Tax Justice Network (www.taxjustice.net) rightly notes that the tax system is a very powerful tool for creating a just society that gives equal weight to the needs of everyone. The expansion of digital economy is helping tax administration to trace information on financial transactions. Cash-based transactions offer incentive for tax secrecy, while the capacity of tax administration is a very powerful tool to expand the tax net, and to handle tax evasion and avoidance concerns.

In developing countries like Bangladesh, where over four-fifth of government revenue is collected from tax, the socio-economic impacts and consequences of tax avoidance and evasion are very severe.[1] People and corporate firms use various measures to evade tax using loopholes in the tax system of the country (Rana and Masukujjaman, 2017). Aligned with Bangladesh's development goals, both tax avoidance and tax evasion must be prevented by ensuring tax transparency that would ultimately contribute minimising fiscal deficit and support the country's sustainable growth.

Objectives and Scopes

Corporate tax dodging and the associated transparency have been a matter of considerable public attention, particularly since the 2008-09 global financial crisis. The study aims analysing the existing tax structure of Bangladesh to identify the concerning and relevant issues of tax transparency ultimately to handle tax evasion and tax avoidance associated with the corporates.

One, to look into the corporate tax structure of Bangladesh and sketch a comparative assessment with selected developing countries;

Two, to analyse the tax transparency issues and concerns to identify possible channels of tax avoidance and tax evasion in the context of Bangladesh;

Three, to identify evidence on the avenues of tax avoidance and tax evasion of the corporate entities by capturing associated incentive structures; and

Four, to point out measures for improving corporate tax transparency and ultimately for improved tax governance in Bangladeshi backdrop.

Methodology

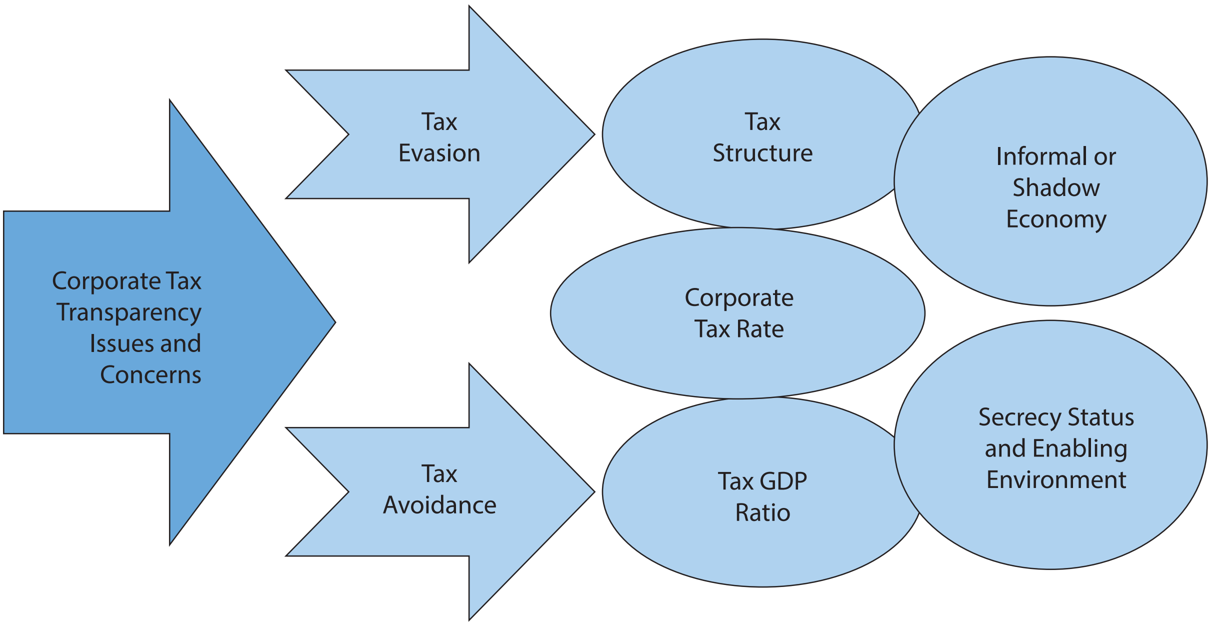
The study is based on both secondary and primary information. The concerns and issues of tax transparency were at the centre of data collection and analyses for the study (Figure-1.1).

Desk Study: A comprehensive literature review and data analyses were carried out by reviewing published documents, reports, and research articles on selected developing countries and Bangladesh to analyse existing corporate tax structure, and its issues and concerns related to tax avoidance and tax evasion.

Failed Attempt of Sample Survey: Several stock market enlisted corporate entities covering major economic sectors (including Readymade Garments, Pharmaceuticals, Cement, and Banking) were selected for reviewing financial statements and for conducting survey. The goals were to draw information on their income, revenue, and expenditure, and ultimately to get information on the incentive structure for tax evasion and avoidance. However, the management authorities of the chosen entities neither made any comment nor replied to any of the queries related to tax avoidance and tax evasion of the survey team.

[1]https://blogs.lse.ac.uk/southasia/2019/07/01/tackling-tax-evasion-in-bangladesh/

Figure 1.1 **Corporate Tax Transparency Issues**



Source: Author's Illustration.

Failed Attempt of Key Informant Interview (KII) with Top Management of Selected Corporate and Export Oriented Industries: The top brasses of the selected corporate entities also declined to response over the queries related to tax avoidance and tax evasion from the survey team. Hence, the attempt to conduct Key Informant Interviews (KIIs) also turned to a failure.

Case Studies: Initially, plans were made to prepare case studies based on gathered data from the selected corporate management authorities on tax transparency, evasion, avoidance, and money laundering. However, the selected authorities made no response, and so the case studies were not materialised.

Key Informant Interview (KII) with the Experts and Policymakers: Twelve KIIs were conducted with professional chartered accountants and former top-level executives of the National Board of Revenue (NBR) to draw their opinions mainly on the existing corporate tax structure, transparency, tax avoidance. The KIIs became crucial primary information to draw inferences for the study.

Draft Report Preparation: The draft report was prepared based on the data and information analyses gathered from the secondary and published sources, and 12 KIIs with the professional chartered accountants and former top NBR executives. The draft report was submitted to the Christian Aid, and also was presented in a press conference.

Study Report Finalisation: The draft report has been finalised accommodating the feedback of the press conference and Christian Aid.

2. Tax Transparency Issues and Concerns in the Context of Developing Countries

2.1 Extent of Tax Avoidance and Evasion in the Global Economies

Tax revenue is the most vital source of funding for a country for its economic development, but tax evasion makes it quite challenging for the tax authority and efficient collection of tax revenue from taxpayers (Rashid, 2020). Hug and Sporri (2011) find that in line with the expansion of tax evasion, the size of the informal economy gets a boost, and that tax evasion seriously diminishes the state's capacity to provide basic public goods. Tax evasion is also viewed as the severe loss of government revenues that restrains the government from providing smooth public services due to the decline of the state budget of public revenues (Androniceanu et al., 2019). Tax evasion enlarges the gyre of poverty and erodes the economy of developing countries (Oxfam, 2013).

According to Tax Justice Network (2022), countries are losing US$ 483 billion in tax a year to global tax abuse – that's enough to fully vaccinate the global population against Covid-19 more than three times over. Of the US$ 483 billion lost a year, US$ 312 billion of this tax loss is due to cross-border corporate tax abuse by multinational corporations and US$ 171 billion is due to offshore tax abuse by wealthy individuals. Tax Justice Network, however, added that data on tax evasion is really illusive and the actual amount of tax loss because of evasive activities is thought to be much higher than is published.

Global tax abuse continues to hit the lower income countries more severely than the higher income countries. The lower income countries in comparison collectively lose the equivalent of nearly half (48 per cent) of their public health budgets. The taxes that lower income countries lose would be enough to vaccinate 60 per cent of their populations, bridging the gap in vaccination rates between lower and higher income countries. According to Global Financial Integrity Report, developing countries lose three times as much to tax evasion as they receive in foreign aid (noted in Ahmed, 2018).

2.2 Tax Structure in the Global and Developing Economies

Usually, a good tax structure implies to the one that has a blend of direct and indirect taxes and both are progressive. There should be clear message and indication that the well-off class of society has to maintain higher incidence of taxes, while the low-income people should be allocated with a lower tax burden. A progressive tax has more of a financial impact on higher-income individuals than on low-income earners (Horton, 2022). Empirical literature suggests both direct and reverse relationships between tax burden and growth rates which means the highest tax burden may lower or increase economic growth rates, and corruption is a big determiner of level of tax rates in developing and transitioning economies (Thaci, 2018).

Fairness is a key issue in designing tax regime in a country (Kagan, 2021). Tax can be a measure of improving development, controlling inflation, and achieving economic and financial stability. In developing countries- ideas, interest and institutions determine tax policy. All the developing countries face a common challenge- how to meet up the demand for public goods by raising taxes in such a way that it will be economically sustainable (Vito and Howell, 2001). According to some economists, high tax rates discourage people to pay taxes and also it does not redistribute income (Smith, 2021).

Most developing countries need both consumption and income taxes but in the right proportion. A tax system that wants to facilitate growth must reduce the tax rate in formal sector. For developing countries, the question is not whether to increase taxes or not but how to do so. In the context of most developing countries, raising taxes is desirable and politically acceptable but it is not always economically viable (Thaci, 2018).

Both in the developed and developing economies, corporate taxes have been one of the major sources of tax revenues whilst the other key components include personal income tax and sales tax. The worldwide average statutory corporate tax rate has consistently decreased since 1980s, with the largest decline occurring in the early 2000s; and the average statutory corporate tax rate has declined in every region since 1980. The Tax Foundation (2021) came up with the trends of global corporate taxes (Box 2.1).

Box 2.1 Global Trends of Corporate Taxes

- Worldwide and regional average top statutory corporate tax rates have declined over recent decades, with most countries following the trend. Of 225 jurisdictions around the world, only three have increased their top corporate income tax rate in 2021, whilst 17 countries have decreased their corporate tax rate. The trend seems to be continuing, as several countries are planning to cut their corporate tax rates in the coming years.
- In 2021, 20 countries made changes to their statutory corporate income tax rates. Three countries naming Bangladesh, Argentina, and Gibraltar increased their top corporate tax rates, while 17 countries including Chile, Tunisia, and France reduced their corporate tax rates.
- The worldwide average statutory corporate income tax rate, measured across 180 jurisdictions, is 23.54 per cent. When weighted by GDP, the average statutory rate is 25.44 per cent.
- Asia has the lowest regional average corporate tax rate, at 19.62 per cent, whilst Africa has the highest regional average statutory rate, at 27.97 per cent. However, when weighted for GDP, Europe has the lowest regional average rate at 23.97 per cent and South America has the highest at 31.03 per cent.

Source: Tax Foundation, 2021.

Because of geographical, fiscal, social, demographic, and other deviations, corporate and tax rates differ widely both in the developed and developing nations. Tax rates significantly vary even within South Asian countries (Table 2.1). One key relevant issue that is generally tagged with the tax collection of a country is the 'Tax-GDP Ratio'. A tax-to-GDP ratio is a measure of a nation's tax revenue relative to the size of its economy as measured by gross domestic product (GDP). The ratio provides a useful look at a country's tax revenue because it reveals potential taxation relative to the economy. A poor Tax-GDP ratio is an indication of a poor tax collection, and greater tax avoidance and evasion tendencies in that specific country. The large informal sector, weak economic base, and incompetent tax collection and administration contribute to having a historically lower percentage of tax to GDP in most emerging market economies (World Bank, 2019). South Asian countries have experienced relatively low tax-to-GDP ratios despite a strong growth trajectory (Islam et.al, 2020). Tax-GDP ratios of South Asia also vary significantly.

Table 2.1 Corporate Tax Rates, Other Tax Rates and Tax-GDP Ratio of the South Asian Countries

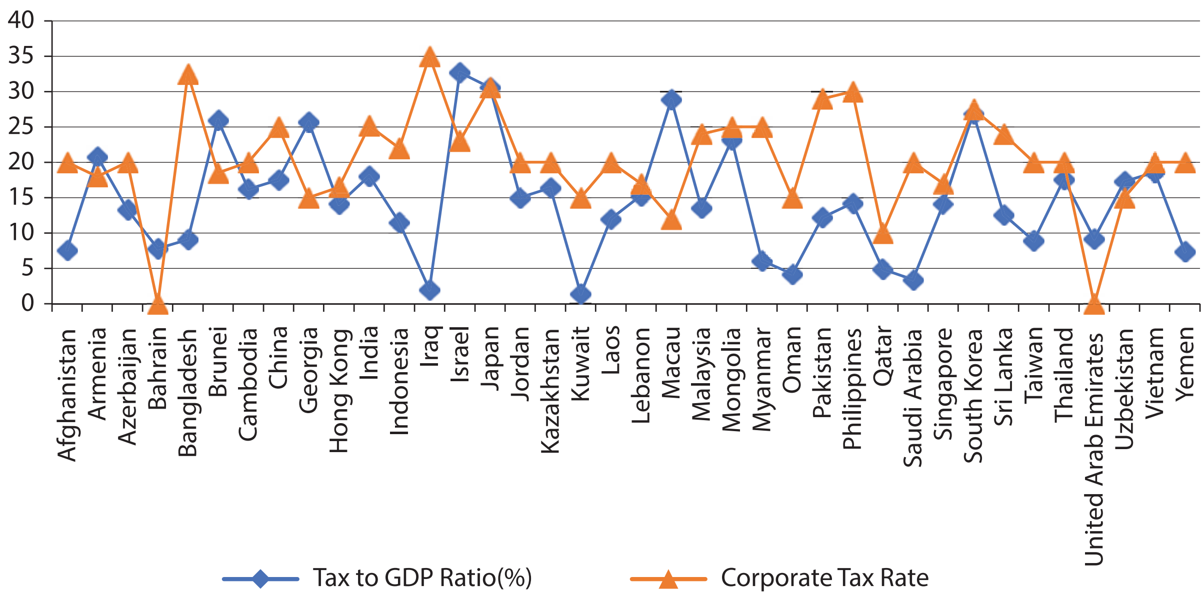
South Asian Countries	Tax to GDP Ratio (%)	Corporate Tax Rate	Personal Income Tax	Sales Tax
Bangladesh	9.1	32.5	25	15
Bhutan	13.6	25	0	50
India	18.1	25	42	18
Nepal	20.3	25	20	15
Pakistan	12.2	29	35	17
Sri Lanka	12.6	24	24	8
Afghanistan	7.6	20	20	10
Maldives	20.5	15	0	6

Source: Tax Foundation, 2021.

Corporate tax rates have implications for tax-GDP ratio in the context of a country. In the context of South Asia, the broad types of tax rates do not reflect any consistency in terms of number (expressed in percentage) and sequence (Table 2.1).

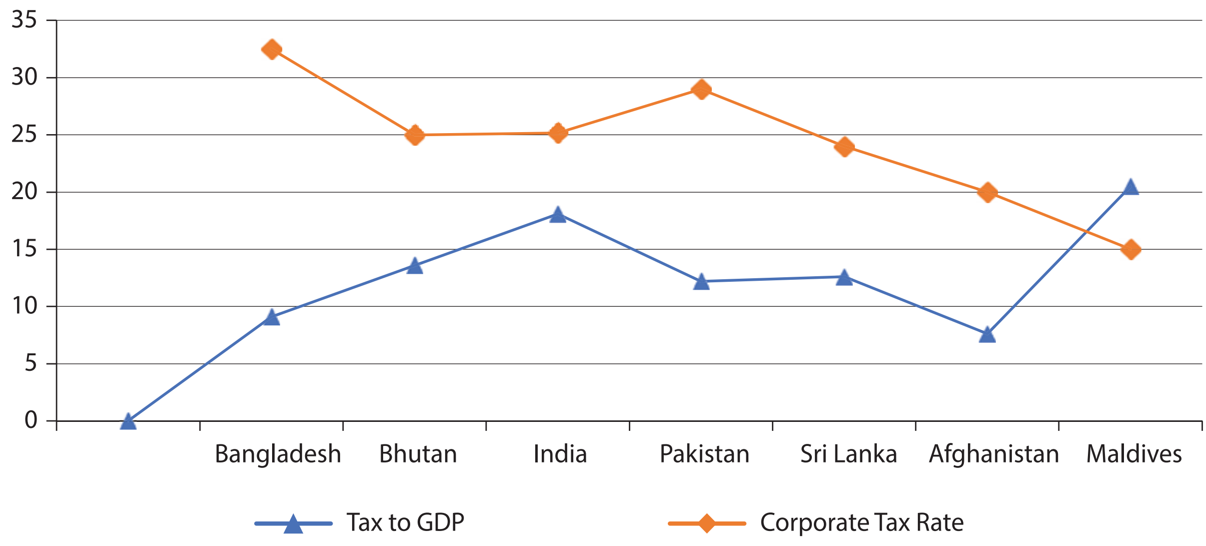
The above figure (Figure 2.1) does not reflect any visible trend or relationship between tax-GDP ratio and corporate tax rates in Asian countries. It should also be true for all other regions of the globe including South Asia (Figure-2.2). However, it can be observed that the difference between tax-GDP ratio and the corporate tax rate is the highest in Bangladesh as compared to its South Asian neighbours. It clearly reflects that high corporate tax rate is not the factor or at least not a significant factor to pull

Figure 2.1 Relationship between Tax-GDP Ratios and Corporate Tax Rates in the Asian Economies



Source: Based on Tax Foundation Data, 2021.

Figure 2.2 **Relationship between Tax-GDP Ratio and Corporate Tax Rate in the South Asian Economies**



Source: Based on Tax Foundation Data, 2021.

tax-GDP ratio. In addition, it can be observed that the gap between tax-GDP ratio and the corporate tax rate is the highest in Bangladesh than all other South Asian nations.

2.3 Informal/ Shadow Economy and Tax Loss

Size of the informal and shadow economy and tax revenues in any jurisdiction are connected. An informal economy (or shadow economy) is part of any economy that is neither taxed nor monitored by any form of government. In many global economies, a very large swathe of activity can remain uncounted and hence outside national accounts. The currently available direct or indirect approaches[2] produce imperfect data but collectively can provide estimates that give some idea as to the size of the informal economy. World Economics conducts a Quarterly Informal Economy Survey (QIES), which combines estimates from economists around the world. Estimates for each country are combined into a simple average with data outliers removed (Table 2.2).

Table 2.2 **Informal Economy, Tax/GDP Ratio, and Corporate tax rates of the Selected Developing Economies**

Country	Informal Economy	GDP PPP [Billion USD 2021] [Global Rank]	Tax/GDP Ratio	Corporate Tax Rate
Bangladesh	30.2%	350[85]	9.1%	32.5%
India	52.4%	8132 [7]	18.1%	25%

(Table 2.2 contd.)

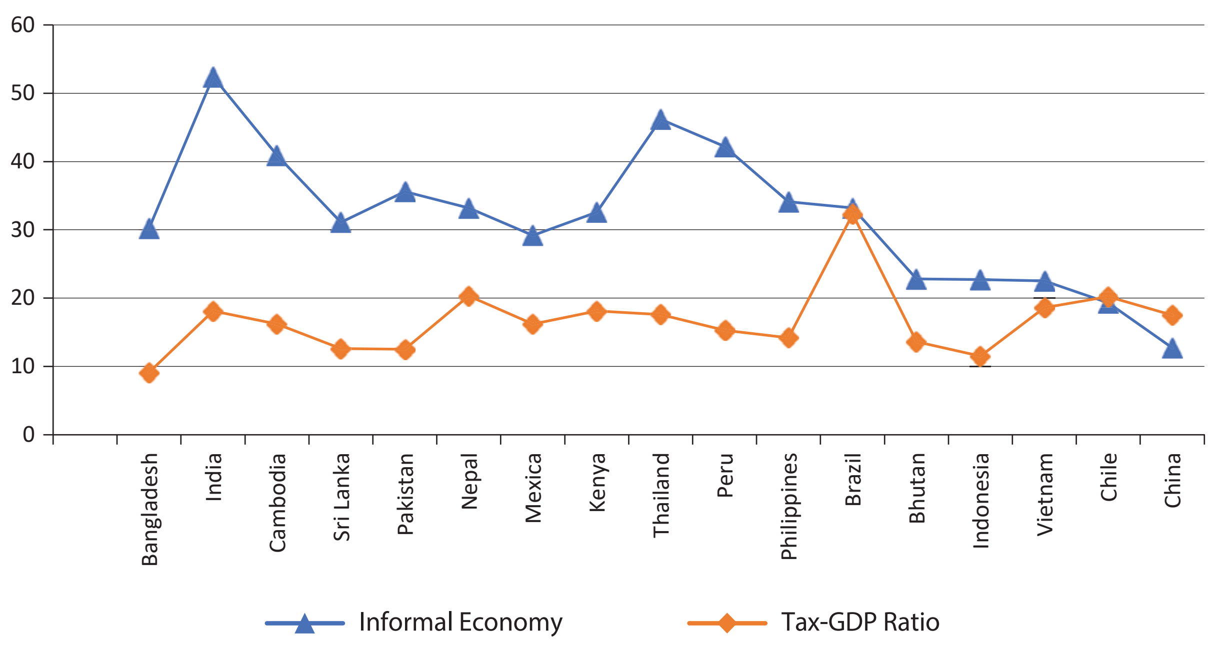
[2] Direct approaches (Measurement by the System of National Accounts Statistics - Discrepancy method; Survey technique approach; use of surveys of company managers; and The estimation of the consumption-income-gap of households) and In-direct approaches (Discrepancy between national expenditure and income statistics; discrepancy between official and actual labour force; Electricity approach; Transaction approach; currency demand approach (CDA); Multiple Indicators, Multiple Causes (MIMIC) approach (Described by Leandro Medina and Friedrich Schneider describe these in their 2018 IMF Working Paper).

(Table 2.2 contd.)

Country	Informal Economy	GDP PPP [Billion USD 2021] [Global Rank]	Tax/GDP Ratio	Corporate Tax Rate
Cambodia	40.9%	51 [26]	16.2%	20%
Sri Lanka	31.1%	131[80]	12.6%	24%
Pakistan	35.6%	542 [47]	12.5%	29%
Nepal	33.2%	62 [63]	20.3%	25%
Mexico	29.2%	949 [91]	16.2%	30%
Kenya	32.6%	132 [68]	18.1%	30%
Thailand	46.2%	828 [17]	17.6%	20%
Peru	42.2%	270[24]	15.3%	29%
Philippines	34.1%	435 [57]	14.2%	30%
Brazil	33.2%	1384 [63]	32.3%	34%
Bhutan	22.8%	3 [112]	13.6%	25%
Indonesia	22.7%	1026[114]	11.5%	22%
Vietnam	22.5%	230 [121]	18.6%	20%
Chile	19.3%	115[127]	20.2	27%
China	12.7%	3847 [143]	17.5%	25%

Source: www.worldeconomics.com [2022]; https://files.taxfoundation.org[2021][3]

Figure 2.3 **Relationship between Informal Economy and Tax-GDP Ratio**



Source: Based on Tax Foundation Data, 2021.

[3]https://www.worldeconomics.com/Rankings/Economies-By-Informal-Economy-Size.aspx [2021]; https://en.wikipedia.org/wiki/List_of_countries_by_tax_revenue_to_GDP_ratio [2020]; https://files.taxfoundation.org[2021]; https://worldpopulationreview.com/country-rankings/highest-taxed-countries [2022]

Keeping other factors constant, high informal economy is expected to be associated with lower tax collection and thus lower Tax-GDP ratio (Figure 2.3). However, the cross-country data do not reflect that kind of connectivity. For example, though Brazil is having a very high informal economy of over 33%, still its tax-GDP ratio was reasonably high at 33.4%. Though China's size of the informal economy was only 12.7%, its Tax-GDP ratio was much lower (17.5%) as compared to that of Brazil (Table 2.2). It means other factors are crucial determinants of the tax-GDP ratio in an economy.

2.4 Tax Rate, Sustainability Reporting and Digitalisation as Determinants for Tax Revenues

The ultimate target of the tax transparency issues is to pull tax revenue and attain a reasonable level of Tax-GDP ratio. In economics, the Laffer Curve represents a relationship between government revenue raised by taxation and all possible rates of taxation. The Laffer Curve postulates that when tax rate on producer surplus approaches 100 per cent, tax revenues may approach zero, since economic agents would not be left with any incentive to produce. The higher the tax rate, the higher the disincentive against tax compliance and the greater the propensity to generate black money. Thus, reducing tax rates, particularly the maximum marginal rates of progressive taxes, can increase tax revenue in two ways: by increasing tax base, and by increasing compliance with the tax rules (Horton, 2022).

Reporting on tax increases transparency and promotes trust and credibility in the tax practices. Mandatory sustainability reporting practices are a positive force in this context. Of the developing countries, some Latin American countries (Argentina, Brazil, Chile, among others) have initiatives on mandatory sustainability requirements; in Asia, Malaysia, Philippines, and India have mandatory sustainability reporting/ disclosure requirements for public limited companies (International Bar Association, 2022). The GRI (Global Reporting Initiative) 207 facilitates the reporting on tax through inclusion in the sustainability report. For ensuring tax transparency in cross-border transactions, 38 African countries are working as part of their Global Forum on Transparency and Exchange of Information for Tax Purposes.[4]

Digitalisation can improve tax compliance by enhancing operational efficiency and the quality of information and thus contribute to higher revenue collection (IMF, 2020). Such integration facilitates the availability and processing of more reliable, timely, and accurate information. The digitalisation of the taxation system can improve tax compliance by enhancing operational efficiency and facilitating the collection of authentic, accurate, and complete information about business transactions to collect the appropriate level of taxes. It also allows tax authorities to offer electronic tax filing, pre-populate tax returns, and verify customs and business activities. These could improve tax compliance, monitor real-time revenue collection, perform audits, and use big data to assess taxpayer risks. They also reduce the time burden associated with administration. According to a World Bank (2016) estimation, electronic filing and payments have on average reduced the time for taxpayers and tax authorities by 25 per cent in the five years after the digital system was introduced. At the same time, digitalisation can help link information across systems, for example, information from electronic transactions can be linked to value-added taxes (VAT).

[4]https://www.oecd.org/tax/exchange-of-tax-information/african-countries-making-good-strides-on-tax-transparency.htm

3. Tax Structure of Bangladesh, Informal Economy, and Tax Loss

3.1: Tax Structure of Bangladesh with Special Reference to Corporate Tax

While Bangladesh's corporate tax is higher than the Global, Asia, and South Asia averages, sales tax rate and personal income tax rates are in relatively lower brackets (Table 3.1).

Table 3.1 Comparative Average Corporate Tax vs-a-vs Other Tax Rates

	Global Average	Asia Average	South Asia Average	Bangladesh Average
Personal Income Tax	30.7%	19.22	23.11%	25
Sales Tax	15.78%	12.34	17.63%	15
Corporate Tax	23.56%	19.52%	25.68%	30

Source: Based on https://tradingeconomics.com/country-list/personal-income-tax-rate

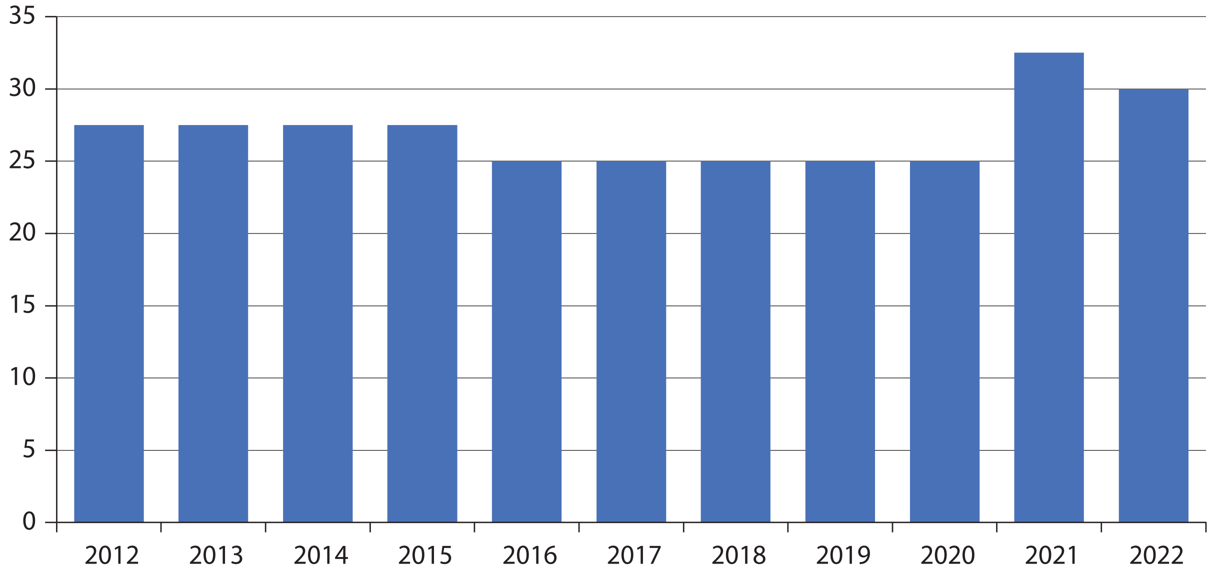
Under current practices, the burden of tax lies on a limited number of persons/ companies with higher marginal income tax rates; and the bulk of those paying income tax are salaried employees, whose companies are responsible for making their tax payments. Around 85 per cent of income tax revenue comes from tax withheld at source. Another problem in our tax policy is the extensive use of tax exemptions, incentives, and special provisions, which limit revenue collection and make the effective tax base much narrower than the standard tax regime. Generally, it is argued that widespread exemption encourages tax evasion, erodes tax equity, and creates distortions in the economy. Various other tax breaks legally keep many more people off the tax rolls.

In Bangladesh, the corporate income tax is based on the net income companies obtain while exercising their business activity, normally during one business year. The benchmark the country uses refers to the highest rate for corporate income. As compared to most global economies,[5] corporate tax rate is higher in the country. In terms of the corporate tax rate, the country's position is 18th, whereas personal income tax and sales tax in Bangladesh are among the groups of the bottom. Corporate tax rate of the country (2012-22) and the changing trend may be summarised as follows (Figure 3.1). In contrast to most other economies, over the years the rate did not show a falling trend, instead it climbed up (Figure 3.2).

To be more specific, there are sectorial variations in corporate tax rates. The overall corporate tax structure of the country may be summed up in the following tables (Table 3.2 and Table 3.3).

[5]https://worldpopulationreview.com/country-rankings/highest-taxed-countries.

Figure 3.1 **Changing Corporate Tax Rate in Bangladesh** *[in %]*



Source: based on data from: https://tradingeconomics.com/bangladesh/corporate-tax-rate.

Figure 3.2 **A Comparative Picture of the Change in the Corporate Tax Rates**

Source: Based on data from: https://worldpopulationreview.com/country-rankings/highest-taxed-countries.

Table 3.2 Corporate Tax Rate for FY2022-2023

Description	2021-2022	2022-2023	In case of failure to comply with the condition
Company producing all sorts of tobacco items including cigarette, bidi, chewing tobacco and gul	45% + 2.5% (surcharge)	45% + 2.5% (surcharge)	Condition not applicable
Private university, private medical college, private dental college, private engineering college or private college solely dedicated to imparting education on ICT	15.0%	15.0%	Condition not applicable
Publicly traded company that transfers more than 10% of its paid up capital through Initial Public Offering (IPO)	22.5%	20.0%	22.5%
Publicly traded company that transfers ten percent or less than ten percent of its paid up capital through IPO	22.5%	22.5%	25%
One Person Company	25.0%	22.5%	25%
Non-publicly traded company	30.0%	27.5%	30%
Association of persons	30.0%	27.5%	30%
Artificial juridical person and other taxable entity	30.0%	27.5%	30%
Publicly traded bank, insurance and financial institution (except merchant bank)	37.5%	37.5%	Condition not applicable
Merchant bank	37.5%	37.5%	Condition not applicable
Non-publicly traded bank, insurance and financial institution	40.0%	40.0%	Condition not applicable
Publicly traded mobile operator company	40.0%	40.0%	Condition not applicable
Non-publicly traded mobile operator company	45.0%	45.0%	Condition not applicable

Source: Based on data from: https://juralacuity.com/tax-update-2021-2022-bangladesh/

Table 3.3 Summary of Corporate Tax Rates

Corporate Tax Rate	2022
Publicly Listed Companies	22.5% (Reduced from 25% in 2021)
Banks, Financial Institutions, Insurance Companies	40%, with a lower rate of 37.5% available if the company publicly traded or received any special approval from the government in 2013
Listed Mobile Companies	40%

(Table 3.3 contd.)

(Table 3.3 contd.)

Corporate Tax Rate	2022
Non-listed Mobile Companies, Cigarette and other Tobacco Manufacturing Companies	45%
Export-Oriented RMG and Export Oriented Industries	12% and it is 10% for green industries
All the other Companies (Including private limited companies and branches of foreign companies)	30% (reduced from 32.5% in 2021)

Source: Based on data from: https://nbr.gov.bd/uploads/publications/107.pdf

The FY2022-23 data shows there is a 2.5% corporate tax cut, however, all the listed and non-listed companies are not eligible for that. Export oriented RMG factories enjoy better rates, and green industries get further benefit in terms of tax exemptions. Corporate tax rates for banks and financial institutions remained at the highest bracket.

Excessive reliance on corporate tax by Bangladesh and some other developing countries is apparent from the data of the published sources. Based on the analyses of the Latin American developing countries, IMF (2020) study notes, Latin American and most developing countries collect significantly lower tax revenue relative to OECD countries and have tax structures that rely excessively on corporate-income taxes whilst personal-income taxes remain largely underutilised. There are huge scopes for these countries to strengthen their personal income tax to mobilise revenue and improve progressivity by addressing critical design flaws. The ongoing global corporate income tax reforms present a great opportunity to reassess thoroughly the corporate income tax. Specifically, reforms would need to focus on aligning corporate tax statutory rates with those of other regions when assessed to be relatively high to attract investment and alleviate profit shifting and on-broadening the corporate tax base.

The Eighth Five-Year Plan for FY2020-21 to FY2024-25 has set the target of raising the tax-GDP ratio to 14.2 per cent by 2025 (later tax-GDP ratio target has been adjusted to 9.5% in the Medium-Term Macroeconomic Policy Statement 2023-24 and 2024-25). Debates prevail that based on our socio-economic culture, the present tax structure is not suitable to attract enough people to pay taxes and as such the tax rate needs to be brought down to a level where everybody with taxable income feels comfortable paying income tax. Ultimately, it will expand the existing tax net.

It was reported in the FY22 budget speech that the number of taxpayers in Bangladesh was only 2.5 million. In a country of more than 165 million people, this number is astonishingly low. It also notes that there are 2.5 lakh registered companies in Bangladesh and only 30,000 companies show income tax return. According to a CPD Survey, 68% of Bangladeshis pay no income tax.[6]

Despite positive economic growth in recent years, Bangladesh has one of the lowest tax-to-GDP ratios (around 8 per cent) in the world. Bangladesh has a poor tax-to-GDP ratio even in South Asia. For poor tax-GDP ratio, several components are commonly blamed such as limited tax coverage, peripheral deficits, tax exemptions, tax evasion, litigation, deductions, corruption in depositing collected tax, lack of skilled manpower, technical incompetence, poor monitoring system, etc.[7]

[6] https://www.thedailystar.net/business/tax-and-customs/news/68pc-bangladeshis-pay-no-income-tax-cpd-survey-1658209

[7] https://www.thedailystar.net/business/tax-and-customs/news/firms-unlikely-benefit-corporate-tax-cut-3049471

Table 3.4 **Corporate Tax rate & Tax-GDP Ratio of Bangladesh**

Year	Corporate Tax Rate (%) in Bangladesh	Tax to GDP Ratio
2012	27.5	9.6
2013	27.5	9.6
2014	27.5	9.5
2015	27.5	9.6
2016	25	7.9
2017	25	8.1
2018	25	8.1
2019	25	7.8
2020	25	6.9
2021	32.5	7.9
2022	30%	8.2

Source: Trading Economics.

While targets and estimates may often not match reality, a 2020 NBR study portrays a concerning scenario. According to the NBR, out of 213,505 companies registered under RJSC, only 45,000 submitted tax returns. This implies that corporate income tax compliance rate is 21%, i.e. only 1 in 5 registered businesses pay tax. Despite this, policymakers shy away from implementing major tax reforms, by cutting taxes for businesses. Eight types of industrial companies, including - Jute, Textile, Knitwear, Poultry, Private Educational Institutes, etc., are enjoying waived tax rates ranging between 3% to 15% based on various criteria.[8]

3.2: Tax Loss Associated with Informal Economy and Tax-Gap in Bangladesh

The size of an informal economy is one of the key reasons for tax losses by an economy. In several economies, particularly in emerging markets, GDP is practically larger than recorded in official statistics because of lack of capacity or difficulty to measure informal or shadow economic activities by national statistics organisations. According to the estimation of World Economics, the size of the shadow/informal economy of Bangladesh decreased marginally over time and decreased from over 36% of the official GDP in 2002 to 30.2% of the GDP for the year 2021 (Table 3.5). It indicates improvement in the capacity of GDP estimation in the country and reducing tax loss due to this factor though at a minimal rate.

Table 3.5 **Size of Informal Economy and the Associated Tax Loss in Bangladesh**

Year	Size of the Economy (GDP) (in billion BDT)	Informal Economy as a % of official GDP	Tax to GDP Ratio	Size of the Informal Economy (in billion BDT)	Tax Loss (in billion BDT)
2002	2252.51	36.18	6.70	814.98	54.53
2003	3005.80	36.86	6.97	1108.05	77.18

(Table 3.5 contd.)

[8]https://www.tbsnews.net/feature/panorama/corporate-tax-how-does-bangladesh-compare-peers-213292

(Table 3.5 contd.)

Year	Size of the Economy (GDP) (in billion BDT)	Informal Economy as a % of official GDP	Tax to GDP Ratio	Size of the Informal Economy (in billion BDT)	Tax Loss (in billion BDT)
2004	3329.73	37.21	7.05	1239.12	87.31
2005	3707.07	37.19	7.14	1378.49	98.36
2006	4157.28	36.70	7.04	1525.74	107.46
2006	4823.4	36.21	6.92	1746.68	120.82
2007	5498.0	35.93	7.66	1975.56	151.25
2008	6286.8	36.02	7.50	2264.63	169.80
2009	7050.7	35.54	7.50	2506.04	187.91
2010	7975.4	35.54	7.83	2834.71	222.09
2011	9158.3	35.39	8.69	3241.28	281.54
2012	10552.0	35.20	9.02	3714.07	335.18
2013	11989.2	35.04	8.96	4201.52	376.56
2014	13436.7	34.93	8.64	4693.43	405.30
2015	15158.0	34.65	8.50	5251.63	446.30
2016	17328.6	34.77	7.32	6025.03	440.85
2017	19758.2	34.66	7.00	6847.84	479.15
2018	22504.8	34.65	7.73	7798.81	602.99
2021	35301.85	30.20	7.90	10661.16	842.23

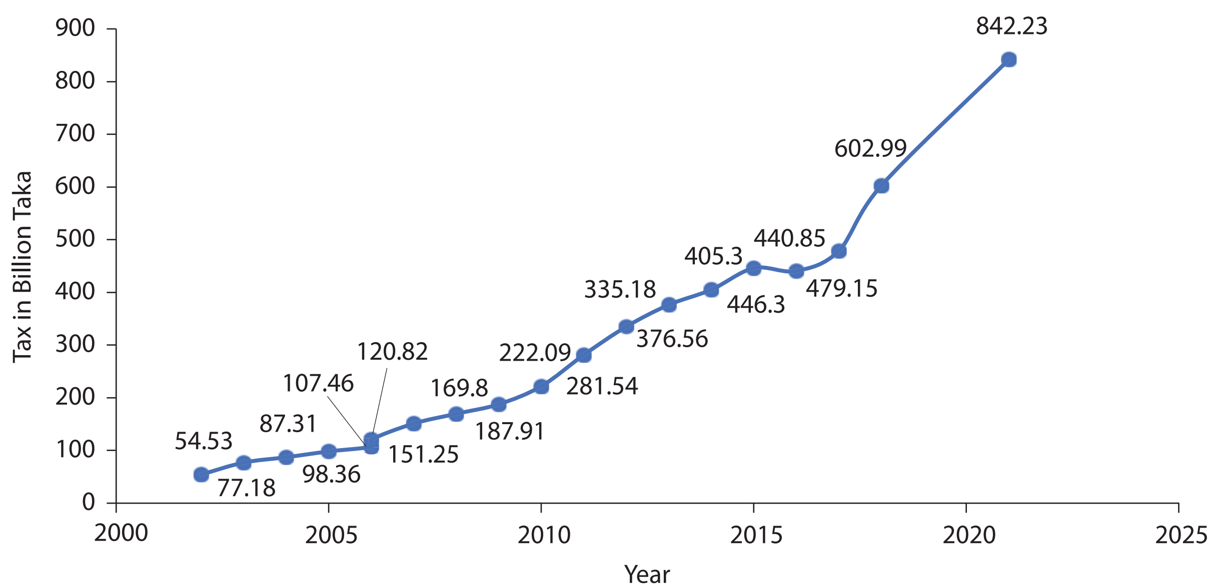
Source: World Economics (https://www.worldeconomics.com) and 'Bangladesh National Accounts Statistics' Data.

Though the size of the informal economy as proportion to the official GDP decreased over time (Table 3.3), the tax loss in absolute terms due to the shadow economy increased (Figure 3.3). Over ten years (2010-2021), the volume of tax loss due to the shadow economy increased by four times from BDT 222 billion in 2010 to BDT 842 billion in 2021.

Certain benchmark rates might be helpful to understand the gap in the tax revenue that should be targeted by an economy to attain its growth and development targets. Taxes provide around 50% or more of government funds in almost every country in the world. Since countries' populations and economies differ greatly, measuring total tax revenue is not the best way to compare international tax systems. Instead, using a tax-to-GDP ratio is one of the more useful ways to compare tax systems around the world. According to a study conducted by the IMF, countries should have a tax-to-GDP ratio of at least 12% to experience accelerated economic growth.[9] Another IMF study notes that if tax-to-GDP ratio are volatile, it is reasonable to interpret findings in line with the standard recommendation to countries with low tax-to-GDP levels to aim for levels about 15 per cent (Vitor et. al., 2016). According to the World Bank (2021), tax revenues above 15% of a country's gross domestic product (GDP) are a key ingredient for economic growth and, ultimately, poverty reduction. Bangladesh's current tax-GDP ratio (7.9%) is far behind that of an ideal benchmark of 15%. To attain that target a huge gap must be covered by the country that has been increasing over the years (Table-3.6).

[9]https://www.visualcapitalist.com/comparing-tax-systems-around-the-world/.

Figure 3.3 **Growing Tax Loss due the Shadow Economy** *[in billion BDT]*



Source: Based on World Economic Data.

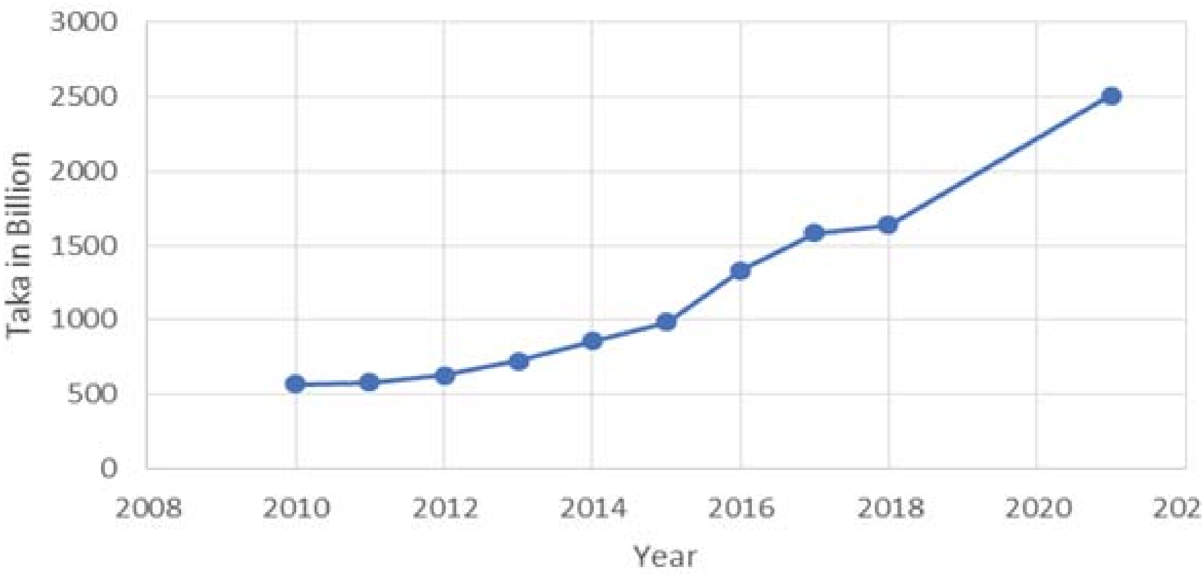
Table 3.6 **Calculation Tax Gap to Reach the Expected Tax-GDP Ratio of 15%**

Year	GDP [billion BDT]	Tax Volume calculated based on Tax/GDP Ratio	Tax volume at 15% Tax-GDP Ratio	Gap in Tax Volume [Billion BDT]
2010	7975.4	624.85	1196.31	571.46
2011	9158.3	795.48	1373.74	578.36
2012	10552.0	952.27	1582.80	630.53
2013	11989.2	1074.52	1798.38	723.86
2014	13436.7	1160.31	2015.51	855.20
2015	15158.0	1288.18	2273.70	985.52
2016	17328.6	1267.92	2599.29	1331.37
2017	19758.2	1382.51	2963.73	1581.22
2018	22504.8	1740.02	3375.72	1635.70
2021	35301.8	2788.85	5295.28	2506.95

Source: Authors' Calculation based on 'Bangladesh National Accounts Statistics' Data.

The gaps between the ideal benchmarks of 12% (as prescribed by IMF) and 15% (as prescribed by the World Bank) have widened over time (Figure 3.4). As of FY 2021, to reach to 12% Tax-GDP ratio, Bangladesh needs to collect additional tax revenue of BDT 1,450 billion; and to reach to 12% Tax-GDP ratio, Bangladesh needs to collect additional tax revenue of BDT 2,506 billion.

Figure 3.4 **Growing Tax-Gap [Billion BDT] to reach 15% Tax-GDP Ratio**



Source: Based on Table 3.3.

4. Financial Secrecy and Enabling Environment for Tax Loss

Financial secrecy facilitates tax abuse, enables money laundering, and undermines human rights. The index identifies the world's biggest suppliers of financial secrecy and spotlights the laws that governments can change to reduce their contribution to financial secrecy. Bangladesh has moved two notches up to rank 52nd among 141 nations in the Financial Secrecy Index 2022, meaning the country has become even more secretive in helping individuals to hide their finances from the rule of law, according to the Tax Justice Network (TJN). The index, introduced in 2009, ranks each nation based on how intensely the country's financial and legal system allows individuals to hide and launder money extracted from around the world. A higher rank on the index does not necessarily mean a jurisdiction has more secretive laws, but rather that the jurisdiction plays a bigger role globally in enabling banking secrecy, anonymous shell company ownership, anonymous real estate ownership or other forms of financial secrecy, which in turn enable money laundering, tax evasion and the evasion of sanctions. The US has climbed to the top of the ranking, meaning there is no other country that is more helpful than the world's biggest economy when it comes to allowing individuals to hide their wealth. The secrecy score is based on 20 indicators. In terms of comparative secrecy score, most selected countries (of the study) are better placed than that of Bangladesh (Table 4.1).

Of the 20 indicators of the Financial Secrecy Index, several sets of factors/ issues are directly associated with the tax transparency and tax losses that include Corporate Tax Disclosure; Tax Administration Capacity; Avoids Promoting Tax Evasion; Anti-Money Laundering; Legal Entity Identifiers; and Tax Court Secrecy. Bangladesh has been ranked based on these indicators alongside the selected emerging economies to identify the country's comparative secrecy status (Table 4.2 - Table 4.5).

Table 4.1 Comparative Secrecy Score of Selected Developing Countries

Country	Secrecy Score
Vietnam	81/100
Sri Lanka	76/100
Bangladesh	75/100
Thailand	70/100
Philippines	67/100
Kenya	67/100
China	66/100
Pakistan	66/100
Malaysia	66/100
Chile	60/100
India	55/100
Mexico	53/100
Brazil	49/100
Argentina	49/100

Source: Tax Justice Network, 2022. Note: Based on 20 indicators associated with ownership registration, legal entity transparency, integrity of tax and financial regulation, and international cooperation and standard.

Based on the analyses of the rules on Corporate Tax Disclosure (covering accessibility of tax ruling, disclosure and publication of extractive industries contracts, and publishing of country reports, etc.), Tax Justice Network (2022) published secrecy score (as part of Financial Secrecy Index) where Bangladesh's score is reasonably good as compared to the developing and neighbouring countries (Table 4.2).

Table 4.2 Secrecy Score on 'Corporate Tax Disclosure' and 'Tax Administration Capacity'

Country	Corporate Tax Disclosure	Tax Administration Capacity
Bangladesh	75	63
China	100	63
Chile	100	50
India	50	53
Kenya	100	75
Malaysia	100	75
Mexico	98	53
Pakistan	90	63
Philippines	80	63
Sri Lanka	100	63
Brazil	90	50
Argentina	95	25
Vietnam	100	63

Source: Based on Financial Secrecy Index Scores, 2022. Note: A higher score indicates greater scope to hide income, and thus avoid/ evade taxation.

In terms of the Capacity of the Tax Administration (to collect and process data for investigating and ultimately taxing those people and companies who usually have the most means and opportunities to escape their tax obligations) Bangladesh's score is similar to that of the Asian and neighbouring states. Latin American countries are good examples to follow in this category (Table 4.2).

The indicator 'Avoids Promoting Tax Evasion' considers whether a jurisdiction facilitates tax avoidance/ evasion, and it is associated with integrated international economic activity and cross-border financial flows. It is concerned with durable taxation, tax complexity that offers incentive for tax avoidance. Brazil, Argentina, and Mexico are well placed in this category (Table 4.3).

Table 4.3 Secrecy Score on 'Avoids Promoting Tax Evasion' and 'Anti-Money Laundering'

Country	Avoids Promoting Tax Evasion	Anti-Money Laundering
Bangladesh	90	38
China	90	45
Chile	80	38
India	70	47
Kenya	100	86
Malaysia	100	26
Mexico	0	42
Pakistan	70	46
Philippines	80	42
Sri Lanka	80	47
Brazil	0	52
Argentina	0	77
Vietnam	40	63

Source: Based on Financial Secrecy Index Scores, 2022. Note: Higher Score on 'Avoids Promoting Tax Evasion' indicates greater scope to hide income and thus avoid/evade taxation; Higher Score on Anti Money Laundering indicates greater scope of tax evasion through money laundering.

Secrecy Indicator on Anti-Money Laundering examines the extent to which the anti-money laundering regime of a jurisdiction meets the recommendations of the Financial Action Task Force (FATF), the international body dedicated to counter money laundering and the financing of terrorism (Table 4.3). The score indicates notable anti-money laundering initiatives on the part of Bangladesh as compared to its peers.

This indicator on Legal Entity Identifier (LEI) is related to legal entity transparency. It reviews the extent to which a jurisdiction requires domestic legal entities to use the LEI, a globally standardised unique identification number for legal entities engaging in financial transactions, developed under the guidance of the Financial Stability Board (FSB). The Legal Entity Identifier (LEI) is a reference code - like a bar code - used across markets and jurisdictions to uniquely identify a legally distinct entity. It enables clear and unique identification of legal entities participating in financial transactions. Mexico and India are better placed in this category. Most countries including Bangladesh need to work on this front (Table 4.4).

Table 4.4 Secrecy Score on 'Legal Entity Identifiers' and 'Tax Court Secrecy'

Country	Legal Entity Identifiers	Tax Court Secrecy
Bangladesh	100	100
China	100	100
Chile	100	50
India	50	100
Kenya	100	0
Malaysia	100	0
Mexico	50	100
Pakistan	100	100
Philippines	100	100
Sri Lanka	100	100
Brazil	100	0
Argentina	100	0
Vietnam	100	100

Source: Based on Financial Secrecy Index Scores, 2022. Note: Higher score indicates higher scope to hide taxable income.

This indicator 'Tax Court Secrecy' assesses the openness of a jurisdiction's judicial system in tax matters by analysing the public online availability of verdicts, judgments, and sentences. It assesses separately the availability for criminal and civil/ administrative tax matters and whether all written judgments are published online for free. This indicator is related to integrity of tax and financial regulation in a country. Argentina, Brazil, Malaysia, and Kenya are better placed in this category. Most of the South Asian countries including Bangladesh need to work on this front (Table-4.4).

Table 4.5 Composite Secrecy Score and Rank of the Selected Economy

Country	Secrecy Score	Rank on Secrecy Score
Brazil	292/6=48.67	1
Argentina	297/6=49.5	2
Chile	418/6=69.80	3
India	320/6=53.33	4
Mexico	343/6=57.10	5
Malaysia	401/6=66.50	6
Kenya	437/6=72.83	7
Philippines	465/6=77.50	8
Bangladesh	466/6=77.70	9
Vietnam	466/6=77.70	9
Pakistan	469/6=78.17	10
Sri Lanka	490/6=81.67	11
China	498/6=83.00	12

Source: Authors' Calculation Based on Financial Secrecy Index Scores, 2022. Note: Higher Score indicates greater scope to hide income and thus avoid/evade taxation.

All the selected economies are ranked in terms of scores and ranks (Table-4.5) and identified Bangladesh's positions. Calculation of the Composite Secrecy Score placed Bangladesh at moderate position (9th) amongst selected developing economies in terms of offering enabling environment for tax evasion and avoidance (Index tables).

Based on the score and ranks on the different secrecy indicators of the selected global developing economies, Bangladesh's positions, required steps, and performing country examples may be presented in a tabular form (Table 4.6). Bangladesh needs to improve on several fronts especially in the areas of 'Avoids Promoting Tax Evasion', 'Using Legal Entity Identifier', and 'Tax Court Secrecy' following the examples of Latin American countries (Argentina, Brazil, Mexico etc.). Latin American countries are also some exemplary models for improving the capacity of the tax administration.

Table 4.6 Performing Economy and Bangladesh's Status in Terms of Secrecy Indicators

Relevant Areas	Performing Economy/ Economies	Performance & Required Action by Bangladesh
× Anti-Money Laundering	Malaysia, Chile, Bangladesh	Amongst the performing countries; should continue with the efforts
× Corporate Tax Disclosure	India	Amongst the moderately performing countries; need additional efforts
× Capacity of Tax Administration	Argentina, Brazil, Chile	Amongst the moderately performing countries; need additional efforts
× Avoids Promoting Tax Evasion	Mexico, Brazil, Argentina	Amongst the low performing countries; need considerable efforts
× Using Legal Entity Identifier	Mexico, India	Amongst the low performing countries; need considerable efforts
× Tax Court Secrecy	Brazil, Argentina, Malaysia, Kenya	Amongst the low performing countries; need considerable efforts

Source: Authors' assessment based on Tables 4.2-4.5.

5. Attempts to Finding Evidence of Tax Evasion and Avoidance by Corporate Entities in Bangladesh

5.1 Failed Efforts on Evidence from the Analyses of Financial Statements

Attempts were made to review the financial statements of the selected listed companies covering RMG, pharmaceuticals, cement, and banking industry to draw symptoms of tax avoidance and tax evasion. Considering the importance in the economy and the export orientation, most corporate entities, however, were picked from the RMG sector. In addition, financial statements of the selected listed companies from the pharmaceuticals, cement, and banking industry were gathered (list of the selected corporate entities are attached - Table 5.1).

Table 5.1 Selected Corporate Entities for Review and Sample Survey (Figures in BDT)

Companies Name	Sales	Assets	Tax Paid
Desh Garments Limited	18,61,39,687	29,60,54,539	11,53,617
Anlima Yarn Dyeing Limited Manufacturing Co. Limited	15,50,28,178	40,68,67,740	8,18,305
Hamid Fabrics Ltd.	1,25,11,38,845	47,38,52,026	80,72,897
Zaheen Spinning Ltd	28,53,97,902	65,57,65,007	6,88,697
Alhaj Textile Mills Limited	15,24,53,365	87,22,27,299	81,52,476
Shasha Denims Ltd	1,66,25,97,481	119,51,19,822	9,50,62,943
Sonargaon Textiles Ltd	10,90,38,473	134,33,43,547	23,62,040
Stylecraft Limited	1,25,02,70,534	14,79,576,446	1,18,58,889
Apex Spinning & Knitting Mills Ltd.	4,00,77,56,000	156,38,76,000	3,26,25,469
Rahim Textile Mills Ltd.	1,28,17,26,000	171,84,47,000	94,33,689
Shasha Denims	79,31,11,586	203,77,89,322	3,00,000
HWA Well Textiles Limited	1,41,38,09,615	210,05,05,704	3,51,37,095
Shepherd Industries Ltd	2,34,77,87,239	220,44,75,160	1,63,63,266
Kattali Textile Limited	38,42,72,748	220,81,31,248	1,69,47,962
VFS Thread Dyeing Limited	95,73,02,752	255,51,56,239	2,79,18,592
New Line Clothings Ltd	2,37,01,30,409	340,60,84,498	1,80,03,000
Zahintex Industries Limited	30,94,85,326	345,10,96,335	4,77,953
Pacific Denims Ltd	1,66,75,52,693	346,70,78,022	54,63,993
H.R.Textile Ltd.	3,00,05,73,880	376,05,92,946	2,88,47,609
M.L. Dyeing Limited	1,94,08,39,185	379,94,29,731	2,54,50,062
Toyo Spinning Mills LTD	30,91,20,318	412,22,46,280	2,68,17,902
Alif Manufacturing Company Ltd.	1,05,99,16,786	452,57,79,887	2,84,25,263
Queen South Textile Mills Limited	3,58,50,46,413	426,83,79,492	2,90,06,763
Toshrifa Industries Limited	3,00,71,50,000	440,46,00,000	3,83,04,970
Evince Textiles Limited	1,60,38,67,247	501,35,15,411	11,00,895
Saiham Textile Mills LTD	2,57,04,14,760	583,61,26,196	1,46,63,091
Far east Kmitting and Dyeing			
Industries Ltd	4,98,09,11,894	588,95,69,923	3,16,44,219
Aman Cotton Fibrous Limited	1,62,47,46,802	586,29,75,551	1,11,60,900
The Dacca Dyeinmg and Manfacturing Co. Limited	46,84,79,143	594,10,56,750	14,32,24,343
Argon Denims Ltd.	3,03,25,28,196	609,81,17,257	
Tamijuddin Textile Mills Limited	2,72,88,65,367	687,23,91,481	2,89,33,304
Generations Next Fashions Ltd	2,91,80,48,347	94,48,740,870	1,75,64,470
Paramount Textile Ltd.	5,02,07,06,959	10,96,70,47,480	9,21,91,984
Esquire Knit composite Limited	7,93,01,27,422	14,52,92,42,003	88,404

(Table 5.1 contd.)

(Table 5.1 contd.)

Companies Name	Sales	Assets	Tax Paid
Envoy Textiles Limited	866,53,04,750	18,64,96,03,520	5,96,81,694
Beximco Pharmaceuticals Ltd.	257,21,04,337	176,92,80,507	129,32,52,888
The Ibn Sina Pharmaceutical Ltd.	737,60,42,094	384,54,07,572	74,413
Beacon Pharmaceuticals Ltd.	712,11,52,785	853,55,71,691	173,06,247
The ACME Laboratories Ltd.	20,77,01,40,096	40,47,64,22,405	50,42,69,152
ACI Ltd.	25,73,02,75,822	44,25,46,78,823	90,81,39,899
Square Pharmaceuticals Limited	58,34,62,58,281	86,60,23,83,695	85,92,69,098
Confidence Cement	46,19,313	1,15,54,369	12,40,43,798
Lafarge Holcim Cement	2,05,34,442	2,95,89,806	78,48,54,000
Heidelberg Cement	14,32,83,40,000	70,53,42,000	32,42,87,000
Aramit Cement Limited	2,01,70,83,000	4,59,06,95,329	1,87,92,835
Meghna Cement Mills	9,64,68,47,877	10,36,54,24,912	14,77,67,673
Crown Cement	16,31,53,15,422	16,98,92,82,543	1,05,41,74,886
Pubali Bank	49,58,77,30,012	26,31,40,294	1,29,51,11,330
Prime Bank	14,85,20,00,000	2,90,11,50,251	2,48,42,85,273
Uttara Bank	39,09,70,653	23,96,28,00,000	1,58,64,06,017
The Premier Bank Limited	38,00,71,455	3.56575E+11	2,21,77,78,519
Islami Bank Bangladesh Limited	73,26,85,55,448	1.63667E+12	7,25,18,17,078
Sonali Bank Limited	23,64,84,12,828	1.71447E+12	3,16,09,84,179

Source: Based on Respective Financial Statements for 2021.
Note: Figures in BDT.

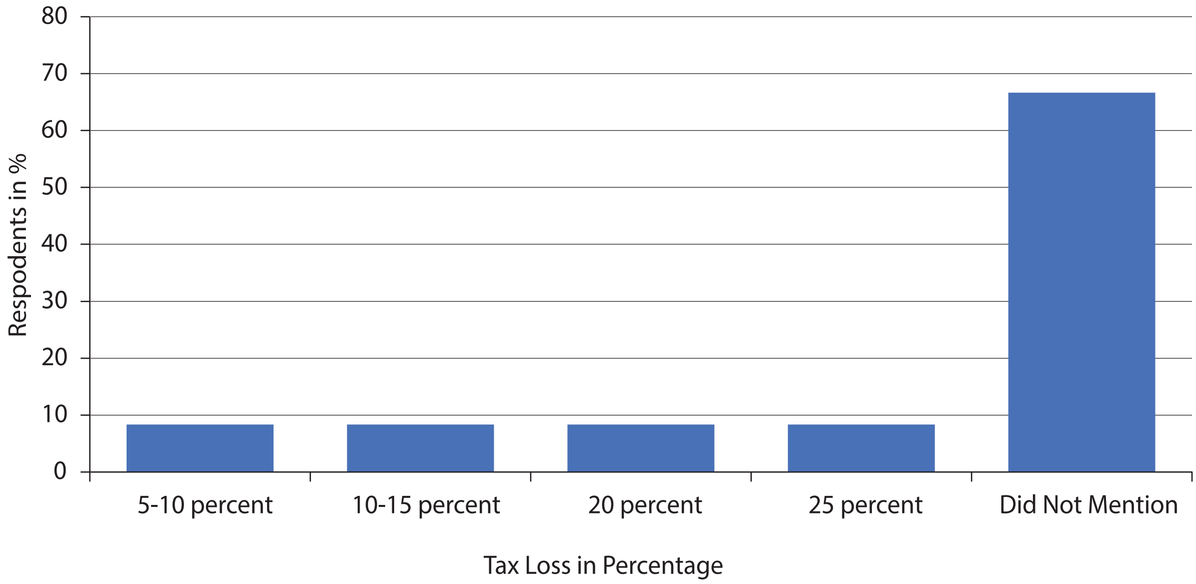
So, it is evident that despite having almost similar levels of sales or assets, the tax amount of the companies varies widely (Table 5.1). These companies are having the differential composition of sales (domestic and exports) and these come under differential tax rates and benefits even in the same sector. Financial statements for these companies that are prepared professionally do not offer any visible symptoms of tax evasion.

5.2: Tax Structure, Tax Evasion, and Tax Avoidance in the Context of Bangladesh-KII Summary Outcomes

The Key Informant Interview (KII) respondents, comprising chartered accountants and former NBR top level officials, identified several issues and factors associated with tax structure of the country, tax evasion, and avoidance. The responses of the KIIs may be summarised under the following heads (details in Appendix A1 and Appendix A2):

Differential Opinions of Corporate Tax Rates in Different Sector: To most of the respondents, corporate tax rates of Bangladesh are reasonable, though for certain sectors (like banks) it remains at a higher range. Corporate tax rates should be reduced, as opined by a minority section of KII respondents. According to the most respondents, tax benefits and cash incentives offered to the RMG sector is logical, however to some respondents, RMG sector is quite established and thus focus should be shifted to others.

Figure 5.1 **Tax Loss due to Tax Avoidance**



Source: Based on KII responses.

Volume of Tax Evasion/ Avoidance Ranges from 5% to 80%: Of the respondents, two-third did not mention any concrete proportion of tax evasion or avoidance. However, all have agreed on the tax loss due to tax evasion and avoidance in the country. Tax losses might range between 5% to 25% for tax avoidance and 15% to 80% for tax evasion, as opined by the KII respondents (Figures 5.1 and 5.2). Banking sector is comparatively transparent, but still there are tax evasion scopes available, as stated. The RMG and leather are identified among the key business sectors where tax evasions are common, as opined by a respondent.

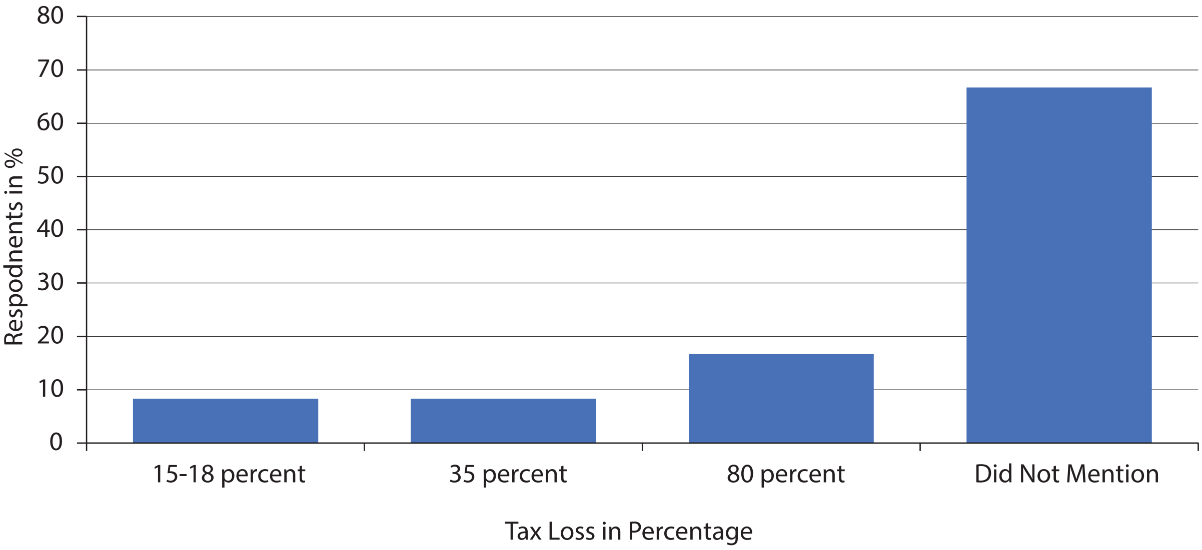
Very Narrow Tax Net that Needs to be Increased: All the KII respondents agreed or given statements regarding the narrow tax net of the country that needs to be expanded remarkably. It is commonly recognised that there is huge scope to bring countries' income earning population under the tax net. According to recently published information (December 2022) on the Bangladesh's population of 170 million, only more than eight million citizens have taxpayer's identification number, and only 2.4 million submitted income tax returns.[10] This is only 1.41 per cent of the total population. This is much lower as compared to several developing and neighbouring countries. For example, as of June 2022, the number of taxpayers was 11.9 million which is 8.5 per cent of the total population of India.[11]

Corruption and Inefficiency are Key Challenges: Most of the KII respondents identified corruption, lack of adequate infrastructure, and efficient manpower as key challenges of low Tax-GDP ratio and tax evasion in the country. As solutions, transparency and corruption need to be addressed for handling tax losses. Besides, efficiency of tax administration, digitisation of tax system, and creation of cashless society are crucial areas to address (Figure 5.3).

[10]NewAgebd.net: https://www.newagebd.net › article › income-tax-in-st

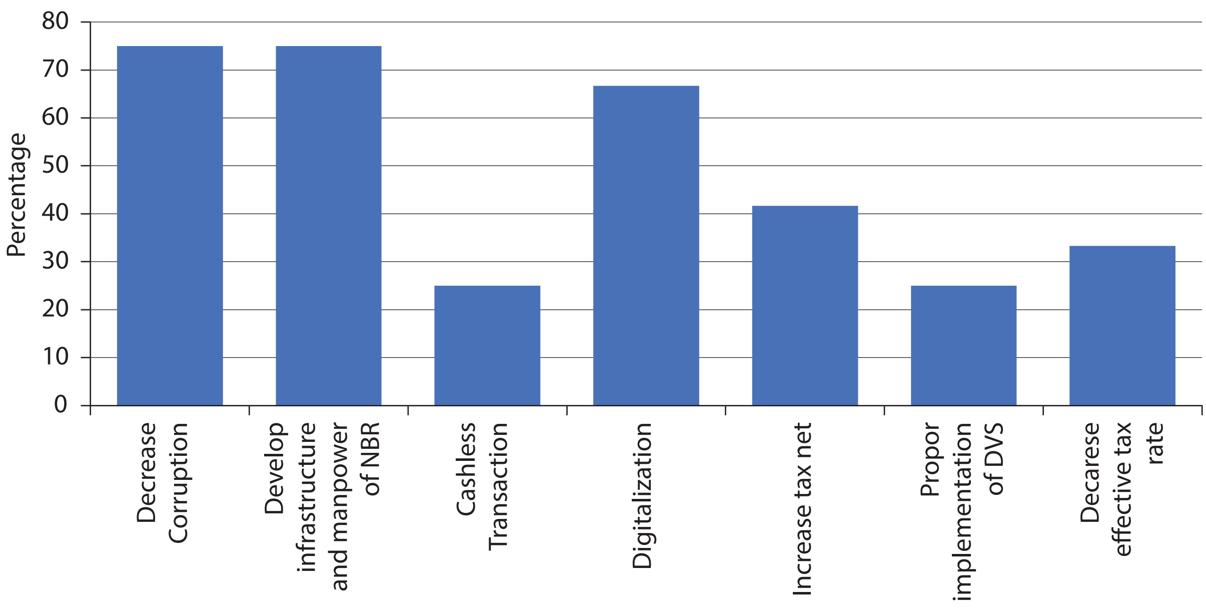
[11]Income Tax Department: https://incometaxindia.gov.in › Why should I pay tax

Figure 5.2 **Tax Loss due to Tax Evasion**



Source: Based on KII responses.

Figure 5.3 **Suggested Steps to Ensure Corporate Tax Transparency**



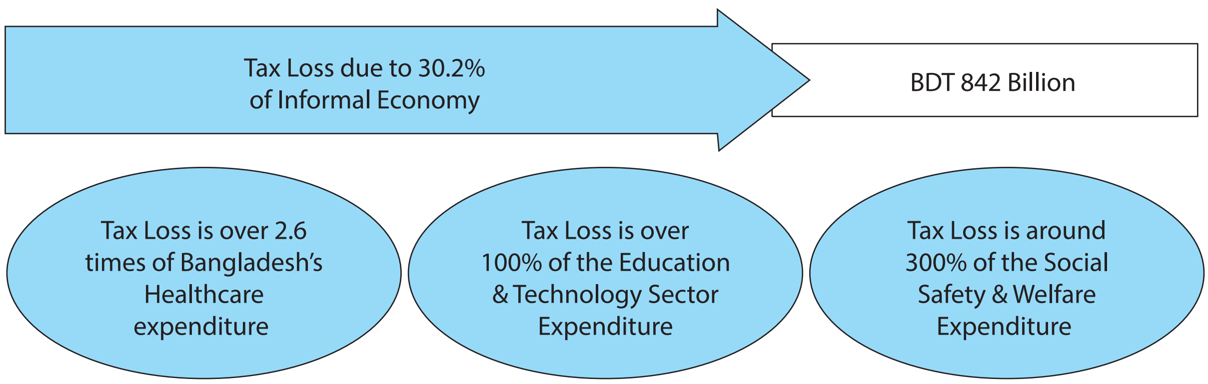
Source: Based on KII responses.

There are opinions that the tax system is not simple but complicated, and there are scopes to make the system as a progressive one. The size of the informal economy and tax education should get due attention from the policymakers and tax administrations. Tax holidays and cash incentives should serve specific purposes and should not be for long, as opined.

6. Estimated Volumes of Bangladesh's Tax Loss and Revenue Gap based on Selected Benchmarks

Ultimate objective of the study was to identify tax losses, determine revenue gap, and fix targets for greater transparency and policy intervention. The size of the informal or shadow economy is one of the responsible factors for tax loss. In 2021, Bangladesh's tax loss was BDT 842 billion due to the shadow economy which was 30.2% of the total GDP, which means close to one-third of the total tax revenue collected in 2021 (at the Tax-GDP ratio of 7.9%, Bangladesh's total tax revenue was BDT 2,789 billion in 2021). Tax loss due to informal economy was close to 300% of the social safety and welfare expenditure; and over 60% of the collective budgeted expenditure (BDT 1,395 billion) on health, education and technology, and social safety and welfare sectors for the year 2021 (Table 6.1). Tax loss due to the informal economy was 2.39% of GDP of Bangladesh for 2021.

Figure 6.1 **Tax Loss due to Shadow Economy**

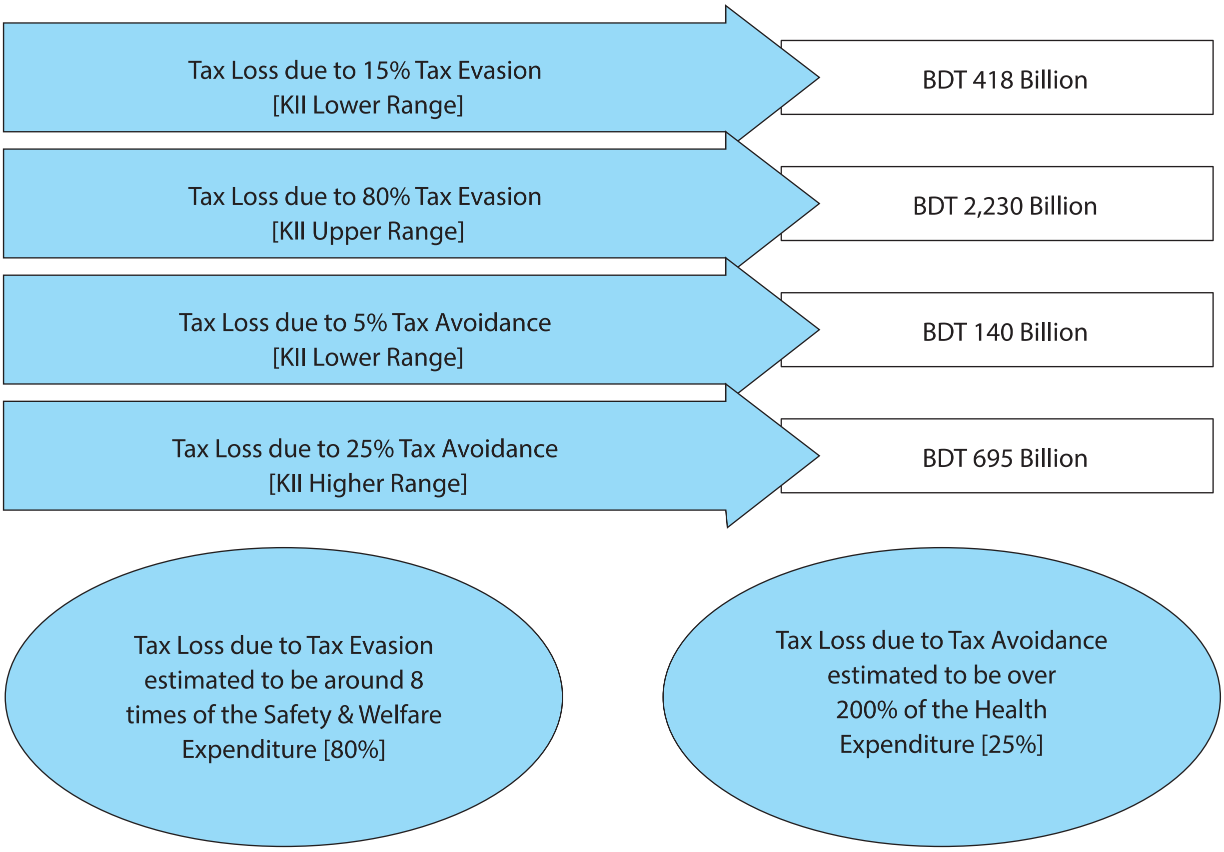


Source: Author's Compilation.

Opinion survey/interviews (KIIs) came up with the possible wide range of tax evasion (15% to 80%), and tax avoidance (5% to 25%) of the total tax revenue. These figures indicate huge possible tax revenue loss due to tax avoidance and tax evasion in the country. Addressing tax evasion might bring up to BDT 2,230 billion in the form of tax revenue that might improve tax-GDP ratio remarkably. A significant portion of tax loss (BDT 140-696 billion) is also taking place due to tax avoidance. Considering the higher range (80%), the tax loss due to Tax Evasion is over 1.6 times the collective budgeted expenditure (BDT 1,395 billion) on health, education and technology, and social safety and welfare sectors for the year 2021 (Figure 6.2).

As discussed as part of the literature review, certain benchmark rates might be helpful to understand the gap in the tax revenue that might be targeted by Bangladesh to attain its growth and development targets. According to the study conducted by the International Monetary Fund, countries should have a tax-to-GDP ratio of at least 12% in order to experience accelerated economic growth; whereas according to the World Bank, tax revenues above 15% of a country's GDP are a key factor for economic

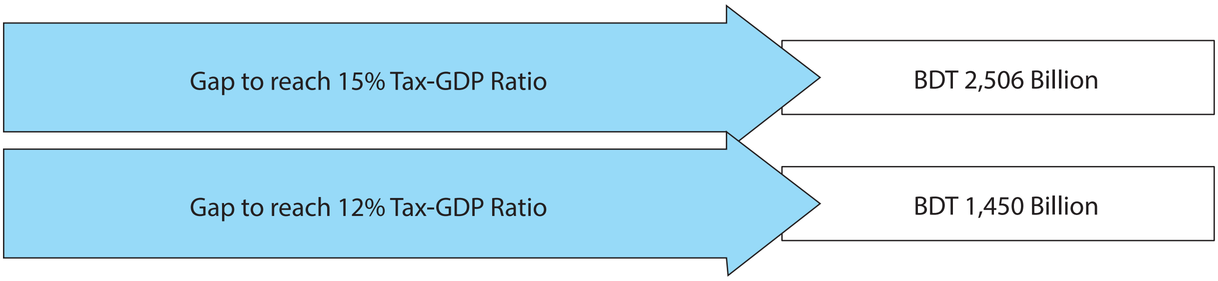
Figure 6.2 **Tax Loss due to Shadow Economy**



Source: Author's Compilation.

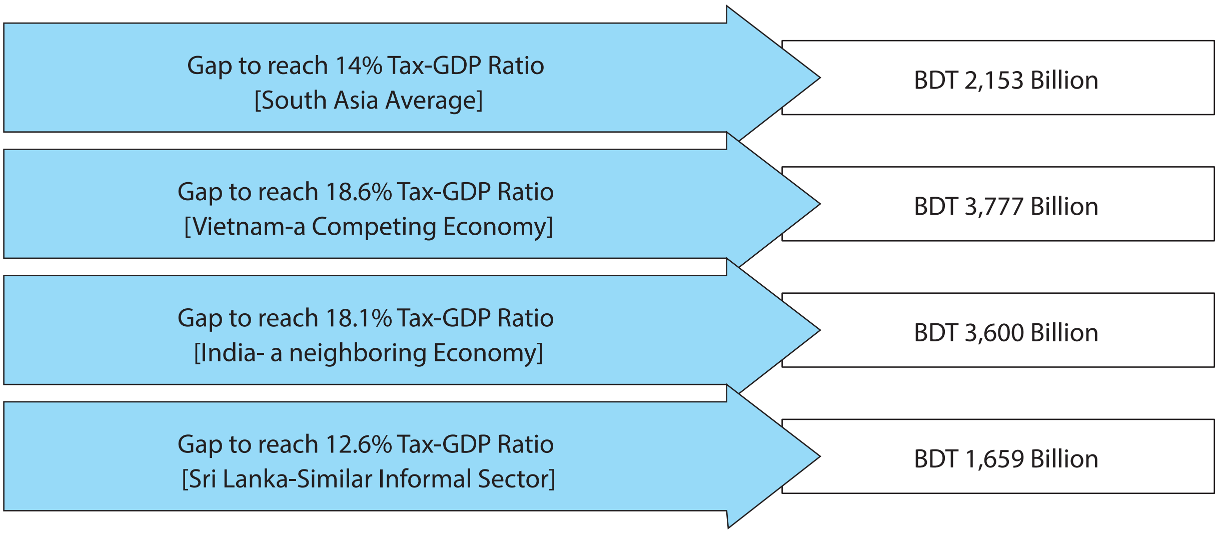
growth, and ultimately, poverty reduction. Bangladesh needs over BDT 2,500 billion in additional tax revenue to reach the target of 15% as prescribed by the World Bank. By reaching 12% tax-GDP ratio, Bangladesh will add BDT 1,450 billion in tax revenue which means the country will be able to increase collective budgeted expenditure (BDT 1,395 billion) on health, education and technology, and social safety and welfare sectors by over 100% (Figure 6.3).

Figure 6.3 **Gap to Reach 15% and 12% Tax-GDP Targets**



Source: Author's Compilation.

Figure 6.4 **Gap to Reach Tax-GDP Ratios of Neighboring and Competing Countries**

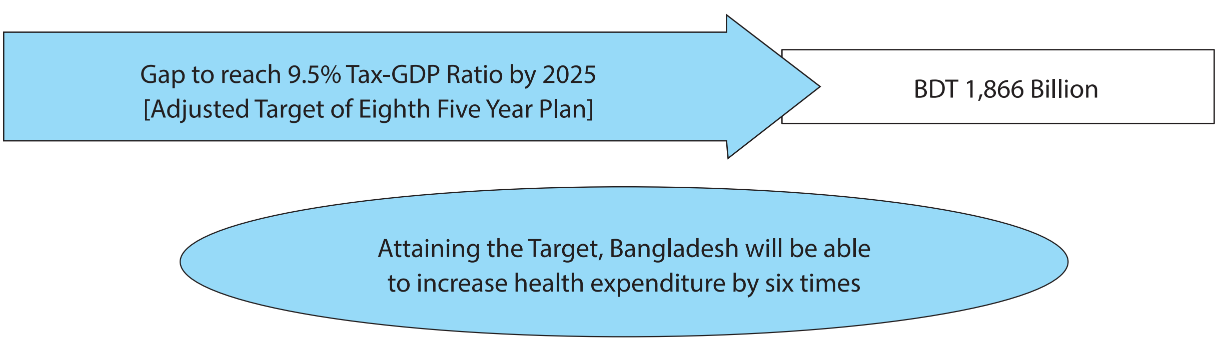


Source: Author's Compilation.

Following the published information, it is evident that Bangladesh's Tax-GDP ratio remained far behind the South Asia average and competing and neighbouring countries. Bangladesh needs to gather over BDT 2,000 billion in tax revenue to reach the South Asian average of around 14%, which means an additional requirement of tax amounting to over 6% of the country's GDP. Bangladesh is far behind its major competing country (Vietnam) and major neighbouring countries (India and Sri Lanka) in terms of tax collection (Figure 6.4).

The low tax-GDP ratio is rightly considered a key development challenge for the country in different policy documents. Medium Term Macroeconomic Policy Statement (2023-2024 and 2024-25) of the GoB targets to reach the tax-GDP ratio of 9.5% by 2025. And for that, it needs additional tax revenue of BDT 1,866 billion from the level of 2021 (Figure 6.5).

Figure 6.5 **Gap to Reach the Targeted Tax-GDP Ratio of Eighth Five Year Plan**



Source: Author's Compilation.

This is necessary to meet key development expenditures to accomplish several policy goals associated with attaining upper-middle income country status, major sustainable development goal targets, and eliminating extreme poverty from the country. Handling tax loss by ensuring tax transparency is a crucial step for that. Managing tax loss might contribute remarkably to pulling development expenditure by the GoB. For example, the amount of Taka (local Bangladeshi currency) that could have been used to increase per capita health expenditure from BDT 1,862 to BDT 6,844 if tax loss (BDT 842 billion) due to the informal economy was avoided; the amount of Taka that could have been used to increase per capita education expenditure from BDT 4,655 to BDT 1,7850 if tax loss (BDT 2,230 billion) due to 80% tax evasion (KII upper range) was avoided.

7. Improving Tax Transparency in Bangladesh: Recommendations

Though the study did not progress as planned, however, there are visible evidence and agreement on the incidences of reasonably high tax avoidance and tax evasion. Even non-response on the part of the selected listed companies itself indicates the unjust state of tax avoidance and tax evasion in these sectors. The study puts forward the following recommendations for ensuring greater tax transparency in the country and for improving the tax structure.

Widening Tax Net: Bangladesh needs to work extensively to improve the tax net when a large chunk of businesses remained out of the tax net. Several targets of the country like attaining the goal of the Eighth Five Year Plan of 14.2% of tax-GDP ratio can be attained by remarkably expanding the tax net of Bangladesh. For the accomplishment of the goal, year-specific target should be identified and declared with the targeted volume of additional tax revenue and the associated strategies.

Purposive Tax Exemptions and Tax Avoidance Opportunities: Tax exemptions and related incentives should be for a limited time and must be purposive. There must be a declared specific period for tax incentives/ exemptions with the purpose, and mechanism to assess the effectiveness of tax exemptions.

Digitalisation and Promotion of Cashless Transactions by the Corporates: Cashless transactions by the corporates are much more transparent and thus can hardly be hidden from the tax authority. Tax administration must also be equipped and updated with the latest findings of information technology for improved efficiency.

Addressing Corruption and Efficiency of the Tax Officials: Corruption of a section of tax officials is claimed to be the major cause of tax evasion in the country which must be addressed. Tax officials also need to be adequately trained for overall improved efficiency in delivering services and playing their roles efficaciously.

Improvements in terms of Secrecy Indicators: Bangladesh needs to immediately focus on improving in terms of certain secrecy indicators like 'Avoids Promoting Tax Evasion', and 'Using Legal Entity Identifier'. Further, it needs improvement in terms of 'Capacity of Tax Administration'. In these contexts, performing countries' models (Brazil, Argentina, and Mexico) might be replicated for better outcomes.

Disclosure of Information on Tax Court: Disclosure of information (online and freely accessible) regarding tax evasion and associated penalties or court verdicts might prove to be an important incentive for corporate entities. In this context, the practices of Brazil, Argentina, Malaysia, and Kenya might be some notable lessons.

Mandatory Sustainability Reporting for Greater Tax Transparency: Mandatory sustainability reporting is getting popularity and is said to be a useful tool for greater disclosure and transparency by corporate entities. The GRI 207, introduced in 2019, facilitates the reporting on tax through inclusion in the sustainability report by businesses and corporate houses. Several developing countries (Argentina, Brazil, and India, among others) introduced mandatory sustainability reporting. And Bangladesh needs initiative on this front, as well.

It is quite evident that Bangladesh could have achieved its desired level of tax to GDP ratio if the tax loss of the amount due to the informal economy, tax evasion, and tax avoidance could have been avoided. And this could be distributed in Health, Education and Technology, Social Security and Welfare sectors.

Attaining the adjusted goal of the Eighth Five Year Plan (9.5% of tax-GDP ratio) and addressing the tax loss would help Bangladesh to achieve the Sustainable Development Goals (SDGs) such as SDG 3 which is 'Ensure healthy lives and promote well-being for all at all ages', SDG 4 that is 'Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all' and becoming a developed country.

The government of Bangladesh should consider this matter seriously and take every possible step to avoid tax abuse to ensure the well-being of people by paving ways to spend the lost amount into social spending.

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APPENDIXES

Appendix Table 1A KII with Chartered Accountants

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
	What is your opinion on the overall corporate tax structure in Bangladesh?W	**The tax to GDP ratio is quite low in Bangladesh. What do you think what are the reasons behind this?**	**What is your opinion on corporate tax structure, tax exemption and tax avoidance and cash incentive related problems in the following sectors? a) RMG b)Pharmaceuticals and chemical sector c) Banking Sector d)Cement Sector**	**What is your opinion on the development of overall corporate tax structure and in increasing tax to GDP ratio?**	**What kind of help do you expect from NBR in this case?**	**What is the proportion of tax evasion and tax avoidance that are contributing to tax loss in our country?**
1	Tax rate is fine	Tax Net is Narrow	There should be less incentive in the RMG sector as they are already taking advantage in so many ways. The existing 15% tax rate in the RMG should also be increased further. Banking sector is comparatively transparent, but still there is a scope of tax evasion. But mostly tax evasion takes place in RMG and leather sector.	NBR signed Document Verification System DVS. This could be of great help as instead of four, they will have one financial statement now. It is quite popular in India but not in Bangladesh	To become more transparent, NBR should stop taking bribes- that is the help they expect from the administration.	20% and 80%
2	A couple of years back, it was more. However, it's fine now. Instead of tax rate, the tax net or base is the issue. There are 88 lakh eligible people in our country but only 28 lakh TIN holders.	Income tax rate is liable for this.	Tax avoidance is legal, and it is okay. There is no scope of taking advantage of cash incentives. During the Covid-19, the economy survived because of the RMG. Cash incentive in this sector is important.	Tax transparency should be ensured. Competent People should be there in NBR. Corruption is the main reason of tax evasion.	Corruption should be strictly handled at NBR and every single level. The government is the ultimate sufferer of tax losses. Instead of harassing normal people, they should run thorough investigations on individuals who are evading taxes.	10% and 15%

(Appendix Table 1A contd.)

(Appendix Table 1A contd.)

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
3	Corporate tax rate is fine but effective tax rate is quite high. There is no scope of proper tax rate implementation. The mechanism is quite complicated. So, people are yet to get tax benefits. Tax laws require implementation.	Economy is growing over the years, while the number of tax payers is also rising. There are approximately 80 lakh tax payers in our country but less than 30 lakhs are paying taxes. Tax net is a big issue. More people should be covered under the tax net.	Tax avoidance is legal if met up certain criteria. This is one of the reasons why tax is paid less. From an ethical point of view, it was not right but for our economy to survive, it was important. Because sometimes it does happen that, vendors do not transact through banking channels for avoiding taxes and the tax burden is on owners. To avoid that extra tax burden, they do not report the sales as it is difficult for them to exist in the market. DVS has been a great help and many CA firms got blacklisted.	There should be tax transparency. Tax collection should be increased. The government should find out ways to be more transparent.	The government should find out ways to be more transparent. They should be bringing people under the tax net, especially the vendors. That is fully their responsibility. Transaction method should be fully cashless and via banks only. The government (NBR) should work to bring vendors within tax net.	Not Answered
4	Corporate sector tax rate is okay, that is not the issue. The existing system is the key concern.		Tax rate in the banking sector is okay but this rate and transparency should be continued. Though Bangladesh Bank regulates this, there is a chance of distortion of financial statement. At times, the taxpayers are to suffer. In the cement industry, the concept of minimum tax is not valid.	Tax system should be made more efficient. Compatible and efficient people should be engaged as government officials who understand tax and tax related concepts. Cashless transaction should be encouraged.	System should be atomised. Corruption should be reduced- it is a mutual thing, both NBR officials and company should be co-operative.	Not Answered
5	The tax rate nature is not progressive. There should be an analysis regarding corporate tax rate. Inconsistent tax policies are responsible for the low tax to GDP ratio. Source tax is mainly focused. The effective tax rate is quite high.	There are issues of mistrust. As people cannot trust the government, they lack the inspiration to pay taxes. Also, corruption prevails here. Tax slab for an individual should be minimum 6 lakhs.	RMG is getting incentive on the export value and the purpose of cash incentive should be served. If tax exemption is withdrawn, they might be facing losses. Our economy is not rock solid withstand losses. Cash incentive should be for a limited time. Strict monitoring should be there. There is a chance of tax evasion in RMG sector by taking bypassing facilities.	Trust should be ensured. Harassment should be reduced. Misuse of tools should be prevented. Tax net is quite narrow. Of the 80 lakh eligible, only 24,000 are giving taxes.	Taxation can be divided industry wise. Balance assessment can be there. Harassment should be reduced. Automation should be there, in VAT also. Efficient evaluation of NBR should be there.	Not Answered

(Appendix Table 1A contd.)

(Appendix Table 1A contd.)

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
6	There is a chance of tax evasion and only proper invoicing can solve the problem.	Because of tax avoidance, they have received BDT 2.5 trillion less in amount they would have received.	RMG for a long time is enjoying cash incentives. Cash incentives can be decreased in this sector, not fully withdrawn from them. Pharmaceuticals and chemical are quite booming sectors, these can be given incentives to flourish.	It should be used. Only business background students should be hired as tax officials. Efficiency should be there, both in financial and corporate sector.	Transparency should be brought into NBR. The NBR should be more co-operative to tax compliant citizens. They should maintain proper invoicing system. Proper implementation of laws is needed. Tax related fear from commoners should be reduced.	5% and 80%
7	Tax net assessment of government is inappropriate. The tax net should be increased.	In Bangladesh only 1.35 per cent of the entire population pay taxes which is much lower. Our economy is import based and currency is weak. These are also some issues.	There are 7.5 million TIN holders in Bangladesh, while only one-third of them pay taxes. It is only 2.3 million pay their taxes. That could be the amount of tax avoidance, which is 30 per cent.	Cash incentives in the RMG sector should go on. This is a remarkable source of foreign exchange. Businessmen in parliaments take full advantage. Policies are in their favour. Policies are revised from time to time, but not fully implemented.	In some cases, even after the tax exemption, the desired outcome had not been achieved. Tax deduction at source is another problem.	Not Answered
8	Proportional tax system is followed in Bangladesh, though it is said that the progressive one is followed. Corporate tax rate differs for public and private. Corporate tax rate should be 20 per cent or less.	Tax evasion is taking place though investment is on the rise. To some extent, inflated GDP is responsible for lower tax to GDP ratio. Informal or shadow economy is also a reason of lower tax to GDP ratio as they are not calculated in the GDP.	In the chemical and pharmaceutical sector, tax rates should be reasonable as these sectors have some potential. There are many products produced in these two sectors that are import substitutes. Active Pharmaceutical Ingredients (API) should be given incentives. Otherwise, pharmaceuticals sector would suffer, and production cost will skyrocket. The cement sector should be patronized, as well as it still is relying on imports. There should be incentives and tax exemptions.	Book transfer and exemption should take place. Infant industries should be given incentives. Product diversification is needed. People living in upazilla level becoming richer as their incomes getting a boost. So, they should be brought under the tax net. They are capable of providing taxes. Corporate tax rate	Tax collection authorities should be more responsible. Collection at source should take place. Tax net should be increased. The NBR should create a Revenue Secretary position to inspire tax officials in proper tax collections. They should be given proper incentives, as well. Steps should be taken so that proper tax collection could take place.	25% and 35%

(Appendix Table 1A contd.)

(Appendix Table 1A contd.)

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
				discourages people to pay taxes. Principles of good taxation should be followed. Changes should be brought in the culture and payment of tax system	Progressive tax system will be great for small companies. Tax holidays should be for a certain period. Systems of giving tax holidays should be revised.	
9	In the country, corporate tax rate is decreasing over the years. But it should be decreased further. Tax rate is said to be progressive, but it is actually not progressive in nature. There is a gap in the tax rate between listed and non-listed companies. The gap is fine but it can be increased which will inspire the non-listed companied to get enlisted as they will get incentives. Personal income tax rate should be decreased, as well.	Lower tax to GDP ratio is another issue. This is taking place because the exemption is there which is offered even if it is not needed. In some sectors, it is 2 per cent or 2.5 per cent. If we compare our economy with our neighbouring countries, we should have a look at their economy, as well.	For the RMG industry, tax exemption is still needed, though it is leading towards tax evasion. This is the sector contributing the most to the economy. Suddenly withdrawing exemptions can be harmful for the economy. This sector can be diversified. Tax rates could be lowered in the banking sector. For the green factories, tax rate should be reduced, and proper impact assessment should be done.	Investments should be made properly in this sector. PSR could be effective in handling tax evasion. But it would take time. The government should take necessary steps for improving the capacity of tax officials. Full digitalisation should take place for both VAT and tax. Proper steps should be taken to make it progressive.	Tax officials should be more responsible in tax collection. If they execute their duties properly, tax evasion will never happen. There should be strict monitoring. Tax officials should be given proper training. Not necessarily, they should be from a business background.	Not Answered

(Appendix Table 1A contd.)

(Appendix Table 1A contd.)

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
10	Corporate tax rate is good. It has decreased than before. In sectors, like telecommunication and banking, it is high. But the benefit is given to the RMG. Effective tax rate is quite high. This could be one of the key reasons behind tax evasion. For some companies, effective tax rate becomes 40 to 50 per cent. So, they have to struggle.	The big driver of tax to GDP ratio is customs. Custom revenue will decrease as imports decreases. VAT rate is all right but corporate income tax collection is difficult. VAT is an indirect tax, and a psychological matter is there. When VAT is imposed, people pay it, but since corporate income tax is a direct tax, people are unwilling in clearing the tax.	In the RMG sector, the tax rate is quite good. To keep our economy competitive, it is a necessity. Tax exemptions and cash incentives are quite high, but we cannot withdraw them now. In the pharmaceutical and chemical sectors, tax system can be further improved. In the banking sector, the corporate tax rate is quite high, almost 40 per cent. There is a great demand for cement both in the developing and developed countries. There is no benefit of corporate taxes on cement.	The tax net is quite small and so we should increase this. Consequently, tax collection is difficult. Also, the tax collection system needs infrastructure, manpower and expertise. Otherwise, there will be a tax leakage. Tax on non-listed companies can be increased to provide more incentive to the listed companies.	How they are handling taxes is an issue to consider. Digitalisation and good governance will make it easier. If we compare with India or other neigbouring countries, their tax assessment system is quite remarkable. They have healthy human resources. The NBR expertise and manpower should be properly handled.	Not Answered

Appendix Table 1B **KII with Former NBR Officials**

	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
	What is your opinion on the overall corporate tax structure in Bangladesh?	**The tax to GDP ratio is quite low in Bangladesh. What do you think what are the reasons behind this?**	**What is your opinion on corporate tax structure, tax exemption and tax avoidance and cash incentive related problems in** **a) RMG** **b)Pharmaceuticals and chemical sector** **c) Banking Sector** **d)Cement Sector**	**What is your opinion on the development of overall corporate tax structure and in increasing tax to GDP ratio?**	**What kind of help do you expect from NBR in this case?**	**What is the proportion of tax Evasion and tax Avoidance that contributing to tax loss in our country?**
1	There should be equity in the system by taxing the rich more than the poor ones. No separate corporate taxation laws are available. The tax structure is weak, as well. The banking sector is comparatively transparent. Over the years, the number of group of companies in the country is rising, and covering them under the tax net surface is quite difficult because of this weak structure and laws. Though the Bangladesh Financial Reporting system is there, it is yet to be updated. In the country, 10 per cent to 47 per cent, several tax rate exist to encourage and discourage someone.	The size of the underground economy is huge, and it is said almost 45 per cent of the GDP is covered by them. People are getting involved in money laundering. The integrity of the officers is also questionable, which is a reason of tax evasion. The NBR is not capable enough to collect taxes. Tax law in the country is very complex. Among the 170,000 taxpayers, only 30-35,000 submit the tax returns. This is a place of analysis. GDP calculation is not up to the mark that is affecting Tax-GDP ratio.	The pharmaceuticals sector is performing well. They should be given 50 per cent tax rebate for the extra earnings. But they are not getting proper incentives. Obtaining a licence is quite difficult, and the process is unusually lengthy, too. But on the other part, some are getting it easily by offering bribes. The tax rate is quite high in the banking sector, and sometimes they also show high profit. There is transparency in the banking sector. CSR is also responsible for tax erosion, but this is not so significant. It is needed for sports and culture. These should be streamlined so that CSR is not abused. Uniform taxation should be there.	GDP should be calculated properly. Underground economy should be brought under formal system. Sector-wise field studies should be done to gain profitability. Tax holiday is a reason that is working behind tax loss in the country.	Uniform taxation should be there. Proper competitiveness should be there, as well. Perception gaps should be managed between the taxpayers and administrators. Taxpayers should be educated.	Not Answered

(Appendix Table 1B contd.)

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	Question 1	Question 2	Question 3	Question 4	Question 5	Question 6
2	Projection of tax rate is important. Imports or exports are important. There should be a consistency between the tax rate rise and drop. When a policy is set, it must be for at least 5 years in force. Otherwise, it may create lots of problems.	Corporate culture is not working properly in our country. The country basically depends on trade.	The viewpoints of the listed and non-listed companies are different. No unified role is there.	There is no accountability and no proper enquiry. Income inequality is increasing, and this is also a reason of low tax-to-GDP ratio. In Bangladesh, tax exemption is huge.	Transparency is being compromised as they are not revealing any information. The NBR lacks the expected manpower. Administration-related problem is there.	Not Answered

Corporate taxation has presented a convoluted challenge within the business world, prompting regulators and tax-related policymakers to closely examine issues related to transparency. On a global scale, corporate income tax stands as a substantial revenue stream for governments, while the structure of such taxation plays a pivotal role in shaping balance between debt and equity distribution, as well as the allocation of corporate investments based on tax considerations. Worries regarding tax transparency stem from the proclivity of corporate entities to engage in tax evasion and avoidance practices, which significantly impact government revenue deficits and expenditures in sectors deemed socially beneficial. This paper focuses on the case of Bangladesh, where the impact of such practices is starkly evident.

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