Taxation Challenges for Bangladesh

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Abstract

The purpose of this article is to identify the major taxation challenges for Bangladesh. It is observed that Bangladesh, being the member of developing country club, is making progress in mobilizing internal resources, but it has some areas for further improvements. Bangladesh has graduated to the middle income earner country, therefore, it is now on its own in terms of collecting the revenue to finance development projects for providing public goods. Findings suggest increasing capacity of tax administrations and taking effective initiatives to reform the taxation system in an environment where taxation reforms are not politically influenced.

Key Words : Taxation, Challenges, Tax Administration, Tax Policy, Reform, Bangladesh.

Part-I : Introduction

Taxation remains vital to fund the public goods and for the growth of the economy of a country. Taxation is the main source of government revenue. Taxation is also important to shape the relationship between the state and the citizens (Carnahan, 2015). It is even argued by some that the state taxpayer relationship is a fiduciary one (Ahmed, 2016). While developed countries have been able to mobilize much needed revenue for the welfare of the citizens and spend for development works, developing countries like Bangladesh are not making remarkable progress in the field. Besley and Persson (2013) state, "In the process of development, states not only increase the levels of taxation, but also undergo pronounced changes in patterns of taxation, with increasing emphasis on broader tax bases, i.e., with fewer exemptions. Some taxes — notably trade taxes — tend to diminish in importance. Thus, in the developed world taxes on income and value added do the heavy lifting in raising sufficient revenue to support the productive and redistributive functions of the state."

It is observed that revenue collection have been growing in most of the low- and lower-middle-income countries over the last decade, both in absolute figures and as a percentage of the GDP. But the growth remains inadequate to meet up the financing needs of the SDGs, estimated at USD 2.5 trillion per year for developing countries alone, according to UNCTAD figures. Moreover, developing countries must face the decline of financial flows from international public and private sources by 12 % between 2013 and 2016

(OECD, 2018). It is further noted that overall tax-to-GDP ratios have not changed remarkably on average since the early 1980s (Oliver, 2013). Bangladesh is no exception. Under the circumstances it is imperative that Bangladesh makes substantial progress in mobilizing internal resources to meet the challenges of SDGs. However, as a developing country Bangladesh faces some challenges to overcome to achieve its revenue goals by successfully mobilizing internal resources. The purpose of this article is to identify the revenue challenges for Bangladesh and analyse the same with a view to shedding some lights on them. The article is arranged as follows. Part I gives an introduction. Part II deals with the issue of the necessity of revenue to augment economic development to achieve the SDGs. Part III discuss the challenges that Bangladesh faces in collecting internal revenue. Part IV highlights some recent initiative of the Bangladesh tax administration towards reforming the system. Part V makes some concluding remarks.

Part-II : Necessity of Tax Revenue to Augment Economic Development

Though taxation might not be the only factor that contributes to the economic development of a country, there should not be any gainsay that taxation has immense impact on that. In the wake of the Second World Waras more state participation in the state economy is demanded, governments had to increase public expenditure and go for the concept of welfare state (Dom and Miller, 2018). There are several theories that discuss the relationship between economic growth and taxation though no theory is conclusive. It is observed that tax revenue as a proportion of GDP has risen remarkably in the developed countries in course of time, but the level of growth shows a stable condition. The conclusion of this finding is that economic growth is not effected by taxation (Myles, 2000). Empirical studies regarding the relationship between taxation and development or economic growth provide mixed results. But for the government there is hardly any avenue rather than taxation to fund public goods and pay for development works. The truth becomes obvious when one looks at the tax to GDP ratio of the developed countries. The tax to GDP ratio of some developed and OECD countries are mentioned below for an easy grasp of the issue.

Table : Summary of key tax revenue as % of GDP ratios in the OECD

Countries	2000	2015	2016	2017
Average	33.8	33.7	34.0	34.2
Australia	30.5	27.9	27.8	-
Austria	42.3	43.1	42.2	41.8
Belgium	43.5	44.8	44.1	44.6
Canada	34.8	32.7	32.7	32.2
Chile	18.8	20.4	20.2	20.2
Czech Republic	32.4	33.3	34.2	34.9
Denmark	46.9	46.1	46.2	46.0
Estonia	31.1	33.3	33.7	33.0
Finland	45.8	43.9	44.0	43.3
France	43.4	45.3	45.5	46.2
Germany	36.2	37.0	37.4	37.5
Greece	33.4	36.6	38.8	39.4
Hungary	38.5	38.7	39.2	37.7
Iceland	36.3	36.3	51.6	37.7

Ireland	30.8	23.1	23.3	22.8
Israel	34.9	31.3	31.3	32.7
Italy	40.6	43.1	42.6	42.4
Japan	25.8	30.6	30.6	-
Korea	21.5	25.2	26.2	26.9
Latvia	29.1	29.2	30.4	30.4
Lithuania	30.8	28.9	29.8	29.8
Luxembourg	36.9	37.1	38.1	38.7
Mexico	11.5	15.9	16.6	16.2
Netherlands	36.9	37.0	38.4	38.8
New Zealand	32.5	31.6	31.6	32.0
Norway	41.9	38.4	38.7	38.2
Poland	32.9	32.4	33.4	33.9
Portugal	31.1	34.4	34.3	34.7
Slovak Republic	33.6	32.2	32.4	32.9
Slovenia	36.6	36.4	36.5	36.0
Spain	33.2	33.6	33.2	33.7
Sweden	49.0	43.1	44.0	44.0
Switzerland	27.6	27.6	27.8	28.5
Turkey	23.6	25.1	25.3	24.9
United Kingdom	32.9	32.2	32.7	33.3
United States	28.2	26.2	25.9	27.1

Source : Data from OECD Revenue Statistics 2018

The tax to GDP ratio in the developed countries speaks for the fact that taxation is sine qua non for development. The developing countries very often struggle to finance the public goods and development works because of the lack of finance. Taxation, no doubt, provides the main source of finance. The tax to GDP ratio in developing countries remain low. That means the developing countries cannot mobilize enough internal resource to spend for the public goods. The OECD states, 'Increased domestic resource mobilisation is widely accepted as crucial for countries to successfully meet the challenges of development and achieve higher living standards for their people. Additional tax revenues enable governments to simultaneously strengthen infrastructure development, enhance the quality of education and promote social cohesion.' Regarding the internal resource mobilization in developing countries, particularly in Asian countries, the OECD (2017) states, 'Tax-to-GDP ratios continue to vary widely across Asian countries. While some countries have experienced a decline in tax revenues in recent years, tax-to-GDP ratios have increased in most countries since 2000. In spite of these increases, further efforts are needed to increase tax revenues in developing countries in the region to support domestic resource mobilisation.' However, for the economic development of a country tax to GDP ratio should touch the minimum threshold. According to the IMF the threshold should be around 15% marks. Smith (2018) states, 'Both the IMF and OECD clearly believe that the tax-to-GDP ratio matters. It is a straightforward measurement, perhaps crude as a result, but it can give a clear indication of the direction of travel of tax policy and administration in any given country, which can then be used to measure against economic growth and development.' It is observed that tax to GDP ratio in developed OECD countries is much higher than the developing countries although there is difference among the OECD countries regarding tax to GDP ratio. But the developing countries, though experiencing some improvement, have to work hard to achieve the expected level of tax to GDP ratio. While the developed countries collect tax around 40 percent or more revenue the developing countries typically collect taxes of between 10-20 percent of GDP.OECD (2017) noted that in spite of the increase in tax to GDP ratio in the developing countries, particularly the Asian countries, further efforts are imperative to augment tax revenue in developing countries to pave the way for internal resource mobilization that will provide for further expenditure in areas like infrastructure, health and education. Increase in the tax GDP ratio speaks for the ability of the countries in collecting much needed tax revenue and to spend the same for development works. Chris Morgan, KPMG's global head of tax policy states, 'Research by the IMF shows that once a tax-GDP ratio gets above around the 15% threshold, this creates a platform for investment. It means there is sufficient revenue collected in order to invest in infrastructure and education, for example, and this can have a massive effect on an economy.' While developing countries are constantly trying to increase the collection of tax revenue, they are facing multiple problems in their efforts to raise revenue. The recent growing concern is the insufficient international tax policy. Because of the gaps in the international taxation rules, the Multinational Corporations (MNCs) are avoiding huge amount of revenue while their income are sourced in the capital importing i.e., developing countries. It is estimated that because of the insufficient international tax policies the developing countries lose at least $100bn a year (Rolling, 2018).

Part-III : Challenges for Bangladesh in Mobilizing Internal Revenue

Being a developing country Bangladesh tax administration faces formidable challenges in mobilizing internal resources in terms of tax revenue. Mahmood (2019) states, 'The mobilisation of domestic resources still remains a key challenge for Bangladesh to achieve its economic and social objectives.' The challenges and problems of mobilizing internal resources are multiple. The revenue collection is still dominated by indirect taxes while direct tax plays the vital role in developed countries. Be that as it may, the current revenue challenges for Bangladesh are briefly discussed below:

1. Narrow Tax Base

It is observed earlier that tax to GDP ratio in developing countries is much lower than in developed countries. The Ramphal Institute notes, 'In many developing nations, both within and outside the Commonwealth, a small and under-developed tax base represents a major obstacle to the progression of both access to and quality of services for citizens. The wealthiest members of national populations, who make up a small proportion of the total population, often avoid paying what can be seen as their fair share of tax, denying governments much needed revenue. Conversely a much larger proportion of the population work in the informal economy, outside the remit of regulatory structures, they receive no formal protection and are not taxed for their work.' Bangladesh has a very narrow tax base. The tax to GDP ratio was 11.17 per cent in 2016-17 and that remains one of the lowest in the world. The tax administration in Bangladesh is characterised by the dominance of large informal sector that contributes to the poor tax base of the country. The rate of informal economy in Bangladesh stood at 27.60% in 2015 (Medina and Schneider, 2018). Agriculture sector virtually remains outside the tax net. Tackling informal economy is very difficult on the part of the tax administrations of developing countries. Very often tax administrations of developing countries are considered poor and inefficient for numerous reasons. Alm et al (1991) state, 'It is widely believed that the tax base in most developing countries has been severely eroded by legal tax avoidance and illegal tax evasion, brought about largely by poor tax administration.' Although the tax administrations of the developing countries are branded as inefficient, of late Bangladesh tax administration has made remarkable progress in terms of collecting the revenue against the revenue collection target as set by the government. Reform programs are ongoing with a number of projects on direct and indirect taxes. It is expected that Bangladesh tax administration can build up its capacity to deal, inter alia, with the challenge of informal economy by enlarging the tax base. It is suggested that it is possible to expand the tax base by encouraging the formal sector.Auriol and Warlters (2004) suggest, '[B]y creating a special status for small entrepreneurs (e.g., without limited liability) associated with discounted entry fees and some benefits (for example, easier access to micro-credit or to electricity connection) governments of poor countries may increase their taxation bases.' Bangladesh can think of such measures that would help expanding the tax base.

2. Taxing Digital Economy

The world economy is experiencing fast track digitalization. Developing countries like Bangladesh is not an exception. Like many other developing countries Bangladesh is putting emphasis on the digital economy. Gradually Bangladesh is becoming a global market for digital outsourcing (Zaman, 2019). According to OECD (2015), 'The digital economy if the result of a transformative process brought by information and communication technology (ICT), which has made technology cheaper, more powerful and widely standardised, improving business processes and bolstering innovation across all sectors of the economy. 'The digital economy poses a broader challenge for the policy makers in that it relates to nexus, data and characterisation for direct tax purposes. It poses another major challenge of implementing Value Added Tax (VAT) covering the transactions where goods, services and intangibles are acquired by private consumers from offshore suppliers (OECD, 2015).According to BEPS action I the digital economy involves the issue of unparalleled reliance on intangibles, the massive use of data, the use of multi-sided business models acquiring values from externalities created by free products and difficulty to identify jurisdictions where the income is sourced. These issues poses a formidable challenge for the tax administrations of Bangladesh. It is to be mentioned here that recently Bangladesh enacted legal provisions to tax digital economy. For example Ride-sharing services such as Uber, Pathao, Sohoz are operating in the major cities of Bangladesh, particularly Dhaka and Chittagong. The US-based Uber Technologies Inc. launched their ride sharing service in Dhaka in 2016. Number of users of Uber increased to 200,000 in Dhaka in November 2017, within one year of its launch (Dhaka Tribune, June 7, 2018). Like other countries, the tax authority of Bangladesh also has started to consider the tax potential of the online sectors. In June 2018, the National Board of Revenue (NBR) has introduced a 5 percent value added tax (VAT) on ride-sharing service providers. Finance Act 2018 introduced the provision for tax to be deducted at source under Section 52AA of the Income Tax Ordinance, 1984, on apps-based ride sharing services at the rate of 3%-4% based on the base amount, by the ride sharing service provider. Although Bangladesh is making gradual progress in terms of its capacity building, but to tackle the serious issue like taxation of digital economy will take time. It is expected that with international cooperation Bangladesh will be able to build requisite capacity to tackle the problems arising from digital economy taxation.

3. MNCs Tax Avoidance and International Tax Rules

Another big challenge for Bangladesh tax administration is to combat the problem of tax avoidance and evasion by the Multinational Corporations (MNCs) operating in Bangladesh. The problem of tax avoidance by MNCs is a problem sans frontier. The MNCs exploit the loopholes of the international taxation rules and avoid huge amount of tax revenue to the detriment of the capacity of the states to provide for public goods. For example, in 2009-2013, Amazon, Google and Starbucks paid a combined total of only £57.7 million despite revenues of nearly £32 billion over the same period. Only 0.18% of revenues were paid in corporation tax (Connell, 2014). It is estimated that global revenue losses due to tax avoidance by corporations could be up to $600 billion each year with approximately $400 billion in developed countries (Sikka, 2018). One of the means of tax avoidance by the MNCs is the transfer pricing. Transfer pricing refers to non-arm's length international transactions between associated enterprises. This has the effect of negatively impacting the revenue base. This affects much the developing countries. For example, approximately $100 billion of tax revenue lost by developing countries annually because of transfer pricing activities from 2002 to 2006(Hollingshead, 2010). Report on transfer pricing by the MNCs reveal that during 2008 to 2012 income tax year the Indian income tax authority made transfer pricing adjustment to the tune of $15.42bn. Glaxo Smyth Kline paid $3.4 billion to the IRS due to transfer pricing adjustment since 1989 (Hilzenrath, 2006). In 2012 the Hungarian tax department unearthed 160 million Euros from transfer pricing adjustments. In2013Vietnamese tax administration made a transfer pricing adjustment at an amount of $110m. In 2011-2012 the Colombian tax administration collected 9.13 million US dollar as a result of transfer pricing adjustment (Loeprick, 2015). So it is quite understandable to what extent revenue is avoided by the MNCs due to transfer pricing activities. Though no data is available, it can be anticipated that Bangladesh is also losing huge amount of revenue due to transfer pricing by the two hindered MNCs operating in Bangladesh. Keeping in mind the gravity of the problem, Bangladesh enacted transfer pricing law in 2012 with effect from tax year 2014. The TP rules in Bangladesh have been framed like the OECD and the UN TP guidelines. The transfer pricing law in Bangladesh, inter alia, made rules to conduct transfer pricing audit after the MNCs submit statement if international transactions. But the fact remains that Bangladesh has not yet been able to go for audit due to lack of capacity and logistics. In the meantime the OECD is imparting training to the officers of the tax department to build the capacity. The National Board of Revenue (NBR) set up a separate transfer pricing cell to deal with the transfer pricing cases. The Finance ACT 2019 made the provision of a new return for the companies that contains separate column requiring to furnish statement of international transactions along with the return. It is hope d that the new provision will help auditing the transfer pricing cases in a more effective way.

4. Poor Third Party Tax Information Reporting System

Third party information reporting (TPIR) is a tax enforcement tool that is widely used by the tax administrations around the world. OECD (2009) states, 'Information reporting obligations 'refer to a legislated requirement on the payers of income to report periodically to the revenue body relevant information (e.g. name and identification number of payee and amount and date of payment), either as an integral component of a withholding regime or as a separate stand-alone requirement in relation to a prescribed category of payments. Such reports, where they are systematically matched with tax records, enable the revenue body to verify the amount of income reported by taxpayers in their returns, to identify potential discrepancies, and to identify non-filers.' According to Brooks (2001) TPIR is the most effective way to ensure tax compliance. Under this system third party payers are required to send the information of the payments to the tax authority. The tax authority then matches the data with that of submitted by the taxpayers. This system makes the income visible and discourages non-compliance. Alm et al (2004) finds that taxpayers who earn relatively more non-matched income are less compliant compared to individuals who earn relatively less non-matched income. Tax information reporting provides valuable information about the taxpayers' income that is being used by the tax authorities to ensure voluntary compliance. It is observed that in the IRS taxpayers with income subject to information reporting are more compliant than the income not subject to reporting system. For example income subject to 100 % reporting system shows 99% compliance rate while income that is not subject to reporting system shows 37% compliance rate (Lederman and Dugan, 2019). Currently Bangladesh income tax law contains legal provision regarding information reporting. Section 75B of the Income Tax Ordinance 1984 states, 'Government may, by notification in the official gazette, require any person or group of persons responsible for registering or maintaining books of account or other documents containing a record of any specified financial transaction, under any law for the time being in force, to furnish an Annual Information Return, in respect of such specified financial transaction. The Annual Information Return referred to in sub-section (1) shall be furnished to the Board or any other income tax authority or agency, in such form, manner and within such time as may be prescribed.' The present information regime is narrow in scope and the NBR retains the discretion to decide whether return should be sent to it or not. The tax administration should craft a comprehensive tax information regime so that voluntary compliance can be ensured by encouraging formal economy in the country. This remains a challenge for Bangladesh.

5. Poor Tax Culture

To ensure sustainable development of a country tax culture is vital (UNDP, 2008). Tax culture reflects the taxpaying mentality or compliance mentality of taxpayers of a country. Tax culture is country specific and it is developed over the years in a gives society and becomes blended with the customs and habits of the people of the society. It is a phenomena. Nerre (2001) defines tax culture as follows:

A country-specific tax culture is the entirety of all relevant formal and informal institutions connected with the national tax system and its practical execution, which are historically embedded within the country's culture, including the dependencies and ties caused by their ongoing interaction.

Poor tax compliance reflects a poor tax culture. It is observed that developing countries like Bangladesh face a formidable challenge to improve revenue collection in an efficient, fair and consensual way. One of the factors of such challenge is poor tax culture (IMF et al 2011). Poor tax compliance indicates poor tax culture. In Bangladesh tax culture is considered as the regular payment of tax. This becomes evident when the Prime Minister of Bangladesh Sheikh Hasina, on the eve of the national tax day in 2010, called the people of Bangladesh to develop a tax culture by paying taxes regularly, which is a precondition for economic and social development (The Daily Star, 2010).Bangladesh's poor income tax compliance indicates the country's insufficient tax culture. The picture becomes clear when one looks into the statistics of return and tax payments. At present, 3.1 million people hold Taxpayer's Identification Numbers (TIN) and of them, 1.6-1.7 million submit tax returns. It is estimated that there are at least, eight million taxable people in the country (Dhaka Tribune 2017). Neighbouring country India has 95 million taxpayers (Mishra & Prasad 2018). Tax ratio to Gross Domestic Product (GDP) in Bangladesh is 11.17% which is one of the lowest in the region. So lack of tax culture poses a formidable challenge for the tax administration of Bangladesh. Under the circumstances it is imperative that Bangladesh takes initiative to improve tax culture by inciting patriotism among the citizens, by removing knowledge gap, removing tax law complexities, removing corruption, encouraging formal economy and by strengthening the enforcement measures of the tax laws.

Part-IV : Recent Initiatives of Bangladesh Tax Administration

Recently Bangladesh has graduated to the rank of middle income earner country club. Under the circumstances foreign aids are no more available for Bangladesh. Bangladesh is now on its own. There is no other alternative for Bangladesh than to strengthen the process of mobilizing internal resources. Bangladesh has to go a long way in terms of revenue collection to achieve the sustainable development goals (SDGs). Though tax administration in Bangladesh has not been able to expand the tax base to a remarkable extent, it has not stopped in its endeavour. Bangladesh took some important initiatives to augment the revenue collection and increase the tax to GDP ratio to the expected level. Following is a brief account of some of the initiatives taken by the NBR to reform the taxation system:

1. Introduction of New VAT Law

Introduced in France for the first time, Value Added Tax (VAT) was introduced in Bangladesh in place of Sales Tax in 1991. The purposes of the introduction of the new VAT were to replace the old age sales tax, mobilize more internal revenue, to introduce a single flat rate covering a wide range of goods and services production, and ensure equity by bringing transparency and accountability in the taxation system of Bangladesh (Lalarukh and Chowdhury, 2013). However, because of some inherent defects it its application, the old VAT Act has been replaced by the VAT Act of 2012 which came into effect from 1 July 2019. It is expected that the new VAT Act would be able to collect more VAT than its predecessor did.

2. The New Direct Code

The NBR has taken an initiative to modernize the direct tax laws by adopting the new direct tax code. Income tax was imposed under the Income Tax Act 1922 and the Act continued up to 1984. The 1922 Act was very complicated. So to simplify the income tax law Government of Bangladesh set up a commission to prepare a report on income tax law. At the suggestions of the inquiry commission the Income Tax Ordinance 1984 was enacted. The Act is still in operation. On the other hand Gift Tax Act 1990 is in operation to impose gift tax on the property gifted. Travel tax is also collected from the passengers who travel abroad. The Income Tax Ordinance 1984 is also considered complicated. So to remove the complicacies and make the income tax law at per with the international best practice, the NBR is currently working on the introduction of a new income tax law. At the same time to make user friendly the gift tax act and the travel tax act all will be included within the new income tax law known as the Direct Tax Code. It is expected that the new Code will be implemented soon.

3. Expansion of Income Tax Department

In 1992 the income tax department saw the first expansion. Some new taxes zones were created and post of the required officers and human resources were created. The first ever expansion of the income tax department was a success in terms of mobilizing direct taxes in the country. After that in 2003 Large Taxpayers Unit (LTU) was set up to provide services to the large taxpayers who pay most of the income tax in a year. The government has designated the Large Taxpayers Unit as the pilot zone for the implementation of the reform in direct tax. The establishment of the LTU is considered as a success in ensuring taxpayer friendly environment, facilitate smooth one stop taxpayer service, reducing compliance cost and building a relationship of trust and confidence between the taxpayer and the department among others. Besides the LTU Income Tax, VAT LTU has been in operation in Bangladesh that collects VAT from big 170 business organisations. However, in 2012 there was an expansion programme of the income tax department in which some new taxes zones were created, new posts of officers and other human resources were created. The expansion has been a success. The purpose of the expansion was achieved evidenced by the contribution of the income tax to the exchequer. A new expansion programmes is underway. To keep pace with the growing economy and to expand the tax base at the base level of the geographical locations of Bangladesh the government of Bangladesh has decided to go for another expansion of the income tax department. At the same time the same expansion programme is underway in the indirect tax administrations of the NBR.

4. Alternative Dispute Resolution System

The Finance Act, 2011 has incorporated ADR provisions for dispute resolution in income tax, VAT and customs. By ADR mechanism, the NBR and taxpayers can settle their differences with the help and guidance of an umpire called facilitator. In the field of income tax the Finance Act 2011 inserted a new chapter XVIIIB alternative dispute resolution. Section 152A to 152S deal with the detailed provisions of alternative dispute resolution between the taxpayer and the department. The ADR system is successfully running in the direct tax administrations.

5. BITAX Project

The BITEX project is an ongoing project in the field of direct taxes set up to facilitate on line return submission by the taxpayers. Provision is also there to make offline entries of the returns submitted manually.

6. Reforms in the Customs Administration

To collect customs duty, the Customs Act 1969 is now in operation in Bangladesh. In order to accommodate the trade facilitation provisions of the WCO Revised KYOTO Convention and the WTO Trade Facilitation Agreement, the NBR has undertaken a task to amend its existing Customs Act. Accordingly, a new Customs Act in Bangladesh will be enacted soon. The new Customs Act will be a major reform in the field of customs administration. The new act will improve the customs regime through automation. The new law would facilitate the traders for submission of electronic declarations for exports and imports, electronic submission of advance cargo declarations for imports and introduce green channel for honest traders. Besides currently customs departments are running some customs modernization projects with the help of the World Bank group.

Part-V: Conclusion

Bangladesh, being a developing country faces some daunting challenges in mobilizing internal revenue.

With a poor tax net and lowest tax to GDP ratio Bangladesh is walking ahead to achieve the SDGs through collection of much needed tax revenue. Although infested by some intimidating problems Bangladesh has registered significant growth of economy and the collection of tax revenue from direct and indirect revenue sources. Mahmood (2019) states, 'Despite the inherent weaknesses in the taxation system, it also delivers reasonably predictable tax revenue which provides a certain degree of certainty to the government. At the same time, it serves the interests of all powerful interest groups in the country. The tensions over sharing the rent is usually mitigated by bargains based on the distribution of power among the parties involved.' The taxation challenges discussed in the article are not peculiar to Bangladesh. They are the common traits of the tax administration of any developing country. The present revenue administration is very much aware of the problems that impede revenue collection. The government is sincere to solve the problems. It is expected that the NBR would take necessary initiative to make some necessary reforms in the field of domestic and international taxation rules with a view to combatting the problem of tax evasion and avoidance in the country.

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