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**Revenue Mobilization Program for Results: VAT Improvement Program**

**Technical Assessment**

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# Summary Program Description

**Objectives**: The expected results of the Revenue Mobilization Program for Results in Bangladesh: VAT Improvement Program (“the Program”) are:

Expected Results:

* Increased VAT revenues: VAT revenues collected as a percentage of GDP
* Greater transparency: RTI Act Compliance

1. **This operation will support the VAT Improvement Program to assist the National Board of Revenue (NBR) in streamlining and modernizing Value Added Tax (VAT) operations and establishing an integrated VAT Management System for the purposes of implementing the new regime.** The primary focus of the program is to prepare the administration to be able to administer the new VAT, which is to be introduced in July 2015. The new VAT Act, 2012 provides for a modern VAT scheme based on few exemptions and self-assessment.[[1]](#footnote-1) The Act provides the legal basis for the new VAT administration, and the impetus for a shift from manual to automated and modernized core tax business processing. The program is part of the government’s broader tax reform agenda as articulated in the Tax Modernization Plan 2011-16 (endorsed by Parliament in June 2011), which envisages policy and institutional reform alongside a program for automating NBR operations to improve services to taxpayers, reduce administrative costs for taxpayers, and improve compliance. The VAT improvement program aims to widen the tax base by enhancing voluntary compliance, and reducing non-compliance. The ultimate goals are to increase VAT revenues and enhance the transparency of the VAT administration in Bangladesh in order to achieve its medium-term revenue target of a tax-to GDP-ratio of 12.2 percent by FY 2016; and to enhance the VAT compliance. Towards this objective, the program will also address those structural weaknesses embedded in the tax system that result in skewed tax bases and provide wide opportunities for evasion and corruption. Importantly, the VAT improvement program will support the strategic reform agenda, also supported by the IMF’s Extended Credit Facility to enable NBR to fully implement the new VAT law.
2. **To improve VAT revenue collection, the NBR needs to transform into a modern, flexible and adequately trained tax administration.** The new VAT Law to be introduced in July 2015, if properly implemented and effectively administered, could increase the tax yield, broaden the tax base and contribute towards establishing a modern and service oriented VAT administration. The Program goes beyond the introduction of new software, as it supports the restructuring of the VAT wing along the functional lines and the reengineering of key business process. The Program supports the modernization of the VAT tax system and it is expected to have spillover effects in other tax areas. The expected results are: (a) staying on track with the rapid and ambitious VAT implementation plan, which includes business process changes, ICT procurement and deployment, training, change management and communications activities; (b) increasing the number of active (registered and filing) VAT tax-payers; and (c) increasing the proportion of taxpayers using on-line services to register, file and pay their taxes. The primary focus of the automation of the NBR is to improve services to taxpayers, reduce administrative costs for taxpayers and improve compliance – through the generation of taxpayer accounts and a system with data that can be used for developing an appropriate audit strategy
3. **In order to achieve the results the Revenue Mobilization Program for Results in Bangladesh: VAT Improvement Program supports four main activities: (a) operational modernization of the VAT Wing of NBR; (b) the introduction of an Integrated VAT Management System; (c) institutional strengthening and capacity building; and (d) program management, including program coordination and administration, change management and a comprehensive taxpayer communication and education program.** The program is proposed for implementation over six fiscal years FY14 – FY19. The program expenditure framework amounts to US$70 million for the VAT Improvement Program and US$3 million for the verification activities of the Economic Relation Divisions over FY 2014-19. IDA resources for the Program under the proposed operation will be $60 million and government financing of US$13 million is also being provided.
4. **Substantial technical assistance was provided by the IMF during the legal drafting and consultative process:** Under the three-year Extended Credit Facility (ECF) arrangements approved by the International Monetary Fund (IMF)’s Executive Board in April 2012, substantial technical assistance has been provided by the IMF during the legal drafting and consultative process: including drafting of the new VAT Law, which was approved in November 2012 (a prior action) after submission of the draft law to Parliament in early July (a June 2012, benchmark), and in the drafting of VAT rules and regulations to give effect to the new VAT law (with the approval envisaged under the original plan (December 2013, prior action) to be rescheduled in order to provide an extended period of review and consultation with stakeholders).

# Program Assessment

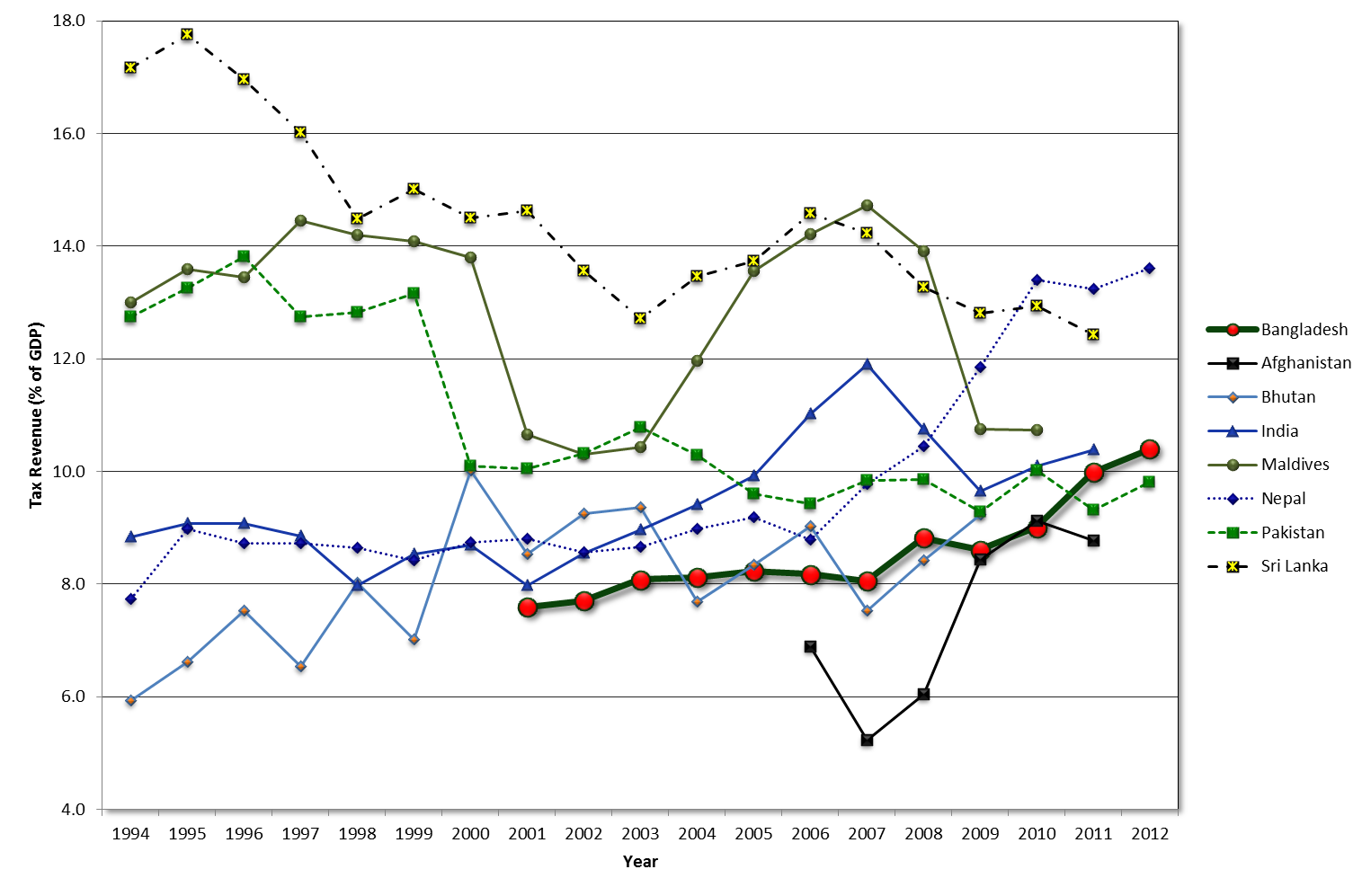
## Strategic Relevance

*Sector Background*

1. **Low revenue mobilization capacity stands out as one of the main development challenges in Bangladesh, making the VAT Implementation Program extremely strategic and relevant.** The level of tax collection in Bangladesh was 10.4 percent of GDP in 2012, an improvement over the period 2004-2009, when it averaged 8.3 percent of GDP. Nonetheless, as shown in Figure 1 Bangladesh is performing below many other countries in South Asia. Furthermore, Bangladesh has not been able to sustain improvements in tax collection, particularly in VAT, in the first half of 2013. This places Bangladesh at a distinct disadvantage over the medium term in terms of managing fiscal policy and having sufficient resources for infrastructure investments; improving service delivery and addressing governance concerns that arise as a result of low civil service salaries. At this level, tax revenue provides an insufficient base of domestic revenue for Bangladesh to finance the investment in human and physical infrastructure required to alleviate poverty levels and propel Bangladesh to middle income country status by 2021, as is envisioned in the country’s development strategy.

**Figure 1**

**Tax Revenue (in Percent of GDP) for South Asian Countries, 1994-2012**



*Source:* World Development Indicators.

1. **Bangladesh’s relatively low revenue to GDP ratio is primarily due to inherent weaknesses in the tax system.** The main problems relate to: (a) an inefficient tax administration due to a “type of tax” organizational structure, poor management, weak human resources and skilled staff, lack of adequate supporting systems, excessive scope for discretionary behavior, and poor physical infrastructure; (b) a narrow tax base due to the informal structure of the economy (there are around three million and seven hundred registered income taxpayers of which only half file tax returns; and just fifty thousand registered businesses that pay VAT); (c) a skewed tax structure, with indirect taxes contributing the most, as set forth in Table 1; (d) a complex and non-transparent tax system; and (e) corruption and tax evasion enabled in part by the relatively low compensation of tax officials.

**Table 1: Evolution in Tax Revenues (in % of GDP)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | FY10 | FY11 | FY12  Prog Est | FY13  Budget Prog | FY14 | FY15 | FY16 |
|  | Projections | | |
| Total Revenue | 10.9 | 11.7 | 12.5 12.4 | 13.5 13.2 | 13.6 | 14.2 | 14.6 |
| Tax Revenue | 9.0 | 10.0 | 10.5 10.4 | 11.3 10.9 | 11.3 | 11.8 | 12.2 |
| NBR Tax Collection | 8.6 | 9.6 | 10.1 10.0 | 10.8 10.5 | 10.9 | 11.4 | 11.8 |
| *Of which*: VAT and supplementary duties | 4.9 | 5.4 | 5.5 5.5 | 5.8 5.5 | 5.6 | 6.0 | 6.4 |
| Customs and excise duties | 1.3 | 1.4 | 1.4 1.4 | 1.5 1.5 | 1.4 | 1.5 | 1.5 |
| Taxes on income and profits | 2.3 | 2.8 | 3.1 3.1 | 3.4 3.5 | 3.7 | 3.8 | 3.9 |

*Source:* Bangladesh Authorities and IMF staff estimates and projections.

1. **Improved domestic revenue mobilization has important implications for better governance.** Well designed and implemented tax systems encourage good governance and accountability; promote inclusiveness and social justice; and can be a tool for improving distribution of income and wealth. A governance-focused tax reform agenda and a service-delivery oriented tax system have the potential to strengthen the state-society relationship and contribute to development though the following linkages: (a) citizens comply with taxes in exchange for the government provision of effective services, rule of law, and accountability; (b) taxation can lead to the expansion of responsiveness and accountability through proactive participation of citizens, civil society, business associations in the tax reform agenda; and (c) improvements in the revenue base can provide the fiscal space for improvements in governance and management of the public sector.
2. **The National Board of Revenues (NBR) faces management, organizational and capacity constraints, that by default, “enables” tax fraud and tax avoidance activities to take place.** The NBR is responsible for the collection of about 81 percent of total revenues and is one of the largest government agencies in the country. The NBR is administratively under the Internal Resource Division (IRD), one of the four divisions of the Ministry of Finance (MoF)[[2]](#footnote-2). Each Division is headed by a Secretary, and the IRD Secretary is the ex-officio Chairman of NBR. The NBR is organized along three administrative wings “type of tax”: Income Tax, VAT, and Customs, Income Tax, VAT and Customs, which historically have operated independently of each other in administrative silos. There are two distinct cadres of officials, one for the VAT and customs and the other to the income tax wing, with divergent career and promotion prospects. Each of the wings is supported by field offices, which operate with significant autonomy and minimal effective oversight of their performance from headquarters. Management procedures and core business processes are cumbersome, and they rely heavily on manual procedures and administrative assessment as well as intense and frequent contacts with taxpayers, which in turn create excessive scope for discretionary behavior from the tax officials.
3. **The poor performance in revenue mobilization reflects weaknesses embedded in the tax policy, as well as the administration.** In 2010, the estimated tax effort index[[3]](#footnote-3) in Bangladesh was 0.41 meaning only 41 percent of potential revenues were collected, significantly below the median level of 0.78 for low-income countries.[[4]](#footnote-4) This low tax effort is largely explained by the significant amount of tax revenue foregone due to preferential tax treatment given to specific taxpayer groups, to investment expenditures or their returns, through targeted tax deductions, credits, tax exclusions or exemptions. An assessment by the NBR in 2007 estimated that foregone revenue could be as much as 2.5 percent of GDP[[5]](#footnote-5). When granted arbitrarily, tax deductions and exemptions etc. restricts the tax base, reduces revenues, and impacts equity and causes concern with respect to accountability.
4. **In response to these challenges, the National Board of Revenue (NBR) put forward a comprehensive Tax Modernization Plan (2011-2016).** The Tax Modernization Plan (2011-2016) was endorsed by Parliament in June 2011, which recognized the critical need to increase tax revenue and achieve by FY 2016 the national development plan’s medium-term revenue target of a tax-to-GDP ratio of 12.2 percent. To address the tax policy and administration reform needs, the Tax Modernization Plan outlines nine strategic areas dealing with: tax policy reform; business process reform; automation of tax processes; redefining the status and regulatory power of NBR; restructuring NBR according to function and size; strategic communication and outreach; enforcement improvement program; human resource program; and infrastructure development program.
5. **As a centerpiece of the government’s tax policy reform program, a new VAT Law was passed by the National Parliament in November 2012, and envisaged to enter into effect on July 2015.** (A new Income Tax code is also being drafted with IFC and IMF technical assistance). The Cabinet and the Parliament’s Standing Committee on Finance drafted the VAT Law through extensive consultations with stakeholders and careful review in order to ensure consistency with the NBR tax modernization plan and medium-term revenue targets. Under the three-year Extended Credit Facility (ECF) arrangements approved by the International Monetary Fund’s Executive Board in April 2012, substantial technical assistance was provide from the IMF in legal drafting and consultative process. Approval of the VAT Law in November 2012 was a prior action under the ECF and submission of the Law to Parliament was a June 2012, benchmark.
6. **Revised VAT rules and regulations are in draft and are now subject to review and consultation with stakeholders.** Promulgation of the rules is on track to be in place by the end of the year. The secondary legislation is critical in order to provide NBR with the adequate powers and autonomy required to enforce the new VAT. The IMF has provided technical assistance in drafting the VAT rules and regulations. A first draft of the rules has been released for public consultation, and a series of about 20 seminars nationwide is foreseen during March 2014. The approval date for the VAT rules and regulations envisaged under the original plan (December 2013, prior action) will be rescheduled in order to provide for an extended period of review and consultation with stakeholders.
7. **Notwithstanding the Tax Modernization Plan’s approval by the Parliament, some aspects of the tax administration reform do not yet have strong support and ownership across the senior management of NBR.** During the past two years of policy dialogue the NBR senior management team has expressed strong reservations about several aspects of the Plan; such as: (a) restructuring according to function and size and doing-away with the tax by type administration; (b) separating tax policy from collection and making this independent of implementation and enforcement, and (c) developing an integrated approach to automation, such as implementing a single software solution for the administration of income tax and VAT. The extent of change envisaged in the Tax Modernization Plan will require a significant institutional reform that will require not only a large investment in change management but a much longer timeframe than the 2011-16 Plan allowed for. A more step-wise approach to the organizational restructuring and integrated automation is being undertaken in a gradual but nonetheless progressive manner.
8. While there is an overall and high-level commitment to stay on the path of the Tax Modernization Plan, several challenges remain, especially in terms of the administrative integration aspects, bringing the two tax cadres to work more closely, and the short time that the Chairman of NBR is typically appointed for (a one year appointment plus possible extension). There are also likely to be vested interests in the status quo, and managing an institutional reform that involves significant staff in decentralized offices adds to the challenge. The more practical reform momentum underway is that each Wing is reorganizing and improving business processes and introducing automation first; and will also consider aspects of harmonizing across NBR, especially systems harmonization at the same time; but leaving aspects of full integration for a future step.
9. **There are several development partners supporting the NBR through technical assistance programs**. A tax development partner group (chaired by the IMF resident representative) was convened in February 2013 to begin to align this support around the Tax Modernization Plan. The IFC is providing technical assistance to the NBR through the Bangladesh Investment Climate Facility (BICF) financed by the UK’s DFID and the European Commission; and this has achieved several results: the Tax Modernization Plan itself, as well as on-line income tax registration system. The VAT reforms are central to the IMF’s Extended Credit Facility (ECF) program; and the Fund is able to use prior actions to keep the momentum for the reform on track. In addition, technical support was provided by the Fiscal Affairs Department, IMF in the development of the VAT Implementation Plan, and there is an IMF- resident adviser in the VAT project implementation team supporting the project director (as well as short term advisers on specific aspects such as the rules and regulations). The Asian Development Bank has an investment project to support the modernization of the Income Tax Wing; and this project will provide new administrative software for income tax; support on-line filing and automation of processing income tax returns, and the introduction of a data center, contact center, and processing center for income taxpayers. The UK’s DFID has also been supporting NBR through technical assistance to the large taxpayer unit in income tax. The harmonization group established by the development partners should continue to strengthen coordination and collaboration for current and future endeavors in order to harmonize their current efforts with the longer term vision of the Tax Modernization Plan.
10. **Additionally, automation of NBR operations is being implemented in the absence of a single NBR Information Technology Strategy.** While a draft strategy exists it is yet to be formally adopted. In addition to the stand-alone projects supporting IT initiatives financed by development partners there are also several initiatives financed by the government. Thus, there are high risks of automating in silos and entrenching NBR fragmentation.In 2010, the IFC provided technical support to draft a single ICT strategy, but this was not formally adopted by the NBR nor is it being implemented. Many separate automation projects have emerged to automate specific functions. Some of these provide for all tax types, such as the application developed for e-payments, while some are for single taxes, such as the income tax registration, but could be extended to other tax types. In customs, automation has proceeded much faster and ASYCUDA is being used for administration.
11. **Recently, the NBR has taken several steps towards integration and harmonization across the tax types, and the formation of a Technology Working Group has been convened with representatives from all Wings.** Critical decisions on the IT procurements will also aid harmonization. For example, the decision to procure a COTS solution in VAT will require reorganization along functional lines in that Wing. International experience would indicate that the change of business process in line with a functional approach is much more likely to proceed successfully, with the purchase of a Customized Off-the shelf (COTS) system than with a bespoke system. Thus a COTS approach has been approved for the VAT automation. The VAT and Income Tax Wings while they have separate processes for acquiring administration software have agreed to use the same database platform.
12. **Even with separate administrative systems in the different wings, integration can proceed by identifying operational areas that can be consolidated**. The Chairman of NBR agreed in October 2013 to introduce a unique Taxpayer Identification Number (TIN) to be used as the single identifier for all taxpayers (across tax types). Other initiatives such as shared data centers, contact centers, and processing centers along with an integrated data warehouse, are all initiatives that are under discussion as both income tax and VAT undergoing reforms in tandem. Additionally, the recently established Technology Working Group would play a critical role in developing a long term ICT harmonization strategy and establishing common approaches to ICT matters across the wings.
13. **The VAT improvement program seeks to enable the new VAT to become a robust source of revenue, it is a critical milestone in the government’s Economic Program supported by a three year Extended Credit Facility from the IMF, and has high-level commitment from the Ministry of Finance.** The primary focus of the program is to prepare the VAT Wing to be able to administer the new VAT from July 2015. The government is committed to reforming the VAT administration and its committed financial contribution of US$ 13 million is predictable and guaranteed with the government approval of the Development Project Proposal (DPP) on “Value Added Tax and Supplementary Duty Act, 2012 Implementation Project” popularly known as “VAT online”. Furthermore, the government will create a budget line for the program, and if they go off track government will use its own funds until they are back on track with DLIs achievement. The Bank will continue to support the GoB in achieving the long-term goal of modernization and harmonization, which goes beyond the timeframe of VAT modernization program completion.
14. **The program also supports the government’s broader tax reform agenda as articulated in the Tax Modernization Plan.** The program supports several activities to: move towards a modern VAT tax administration based on the assumptions of a full self-assessment system; restructure the VAT Wing along functional lines; establish an Integrated VAT Management System centered on highly automated business processes; increase the take-up ratio of electronic services; improve communication with taxpayers; improve risk identification; and reduce the need for face-to-face contact with taxpayers; provide institutional strengthening and capacity building.

**Table 2: The Strategic Areas of the Government Tax Modernization Plan**

|  |  |  |
| --- | --- | --- |
|  | **Government Tax Modernization Plan** | **Government VAT Improvement Program or “the Program” supported by the PfR** |
|  | 1. Tax policy reform |  |
|  | 1. Business process reform | Streamlining VAT core business processes. |
|  | 1. Automation of tax processes | Automation and modernization of VAT core functional areas. |
|  | 1. Redefining the status and regulatory powers of the NBR | N.A |
|  | 1. Restructuring NBR according to function and size | Restructuring the VAT Wing according to function. |
|  | 1. Strategic communication and outreach | Developing and implementing a staff communication and change management plan; comprehensive taxpayer education and communication program. |
|  | 1. Enforcement improvement program | Strengthening collection enforcement by improving audits and investigations, collection of tax arrears, and appeal system. |
|  | 1. Human Resource Program | Developing and implementing a comprehensive training and capacity building program. |
|  | 1. Infrastructure development program | Establishment of an Integrated VAT Management System (based on Customized Off-the shelf COTS system) to support core VAT administration processes along with Data, Contact, and Processing Centers.  Provision of data network, desktop hardware and software, and local and data center servers. |
| Geographic scope | Nation wide | Nation wide |
| Implementation Period | 2011-2016 | 2013-2018 |
| Cost | US$ 86 million[[6]](#footnote-6) | US$ 73 million |

*Program Background*

1. **The program is supporting the modernization of the VAT system in order to break out of the low revenue-low capital spending equilibrium that has constrained Bangladeshi growth for many years, and to enable the new VAT to become a robust source of revenue.** As set forth in Table 3, Bangladesh generates substantially less VAT revenues in relation to the GDP than many other countries, both low and middle income. In terms of VAT productivity, for each point of the standard VAT rate, Bangladesh generates only 0.22 percent of GDP in revenue compared to 0.34 percent of GDP in other low income countries. The government economic program seeks to increase tax revenues from 10.4 percent of GDP in FY2012 to 12.2 percent of GDP by FY2016. If Bangladesh could raise its VAT productivity by 0.12 percent of GDP to the average level of other low income countries, then all else equal, VAT could increase government revenues by 1.8 percent of GDP. The introduction of a broad-based and well administered VAT can contribute substantially to achieving this objective.

**Table 3: VAT Indicators for Bangladesh and Comparator Country Groups**

|  |  |  |  |
| --- | --- | --- | --- |
| **Country** | **Standard VAT Rate** | **VAT Revenue (% of GDP)** | **VAT Productivity[[7]](#footnote-7)** |
| Bangladesh | 15.0 | 3.3 | 0.22 |
| Low Income Countries | 16.4 | 5.5 | 0.34 |
| Lower Middle Income Countries | 17.4 | 6.6 | 0.38 |
| Upper Middle Income Countries | 17.3 | 6.6 | 0.38 |
| High Income Countries | 17.1 | 6.7 | 0.39 |

Source: IMF staff calculations.

Notes: Data for Bangladesh is for FY2009, the averages for the country groups are for 2005.

1. **The introduction of the new VAT system will not only increase revenues, but can also have a positive impact on economic efficiency.** Poor revenue performance is due to many shortcomings and loopholes in the previous law. The first VAT Act was enacted in 1991, and it functions more as an extended turnover-excise tax system than a true VAT. The law had been amended, appended, and modified on different occasions resulting in many distortions. By taxing different sectors at different effective rates, and thereby distorting production and consumption choices, the tax has been harmful to economic growth. Tax liability under this Act is determined based on highly reduced and arbitrarily negotiated approved values that are currently embedded in the tariff schedules for manufactured goods and truncated bases for services and the trading sector. The long list of exempted goods and services that are provided under the current law, further erode the tax base. There are also many burdensome features in the existing law, such as the requirement for taxpayers to receive price approvals from tax officers, the requirement to deposit VAT in the government treasury in advance of purchasing supplies, and the necessity to attach to the VAT return copies of individual VAT invoices and payment confirmation.
2. **The new VAT Law addresses many** **shortcomings and loopholes in the previous law.** The new law will enter into effect on July 1st, 2015. It represents the most significant change to Bangladesh’s tax system in many years, and was guided by four overarching goals: (i) substantially increase the amount of government revenue that is available to pay for important public sector investments and priority social expenditures; (ii) significantly facilitate the operations of businesses by making it easier and cheaper to comply with VAT laws; (iii) considerably enhance the NBR’s capacity to identify and deal with non-complaint taxpayers; and (iv) provide the basis for a modern, disciplined, and service-oriented VAT administration. Key changes in the new VAT Law are summarized in Box 1.
3. **The new VAT Law if properly implemented and effectively administered would increase tax revenues by broadening the tax base.** The revenue increase will be generated not by raising the VAT rate, which remains unchanged at 15 percent (the VAT threshold remains unchanged too at BDT 8 million), but instead by broadening the tax base. Under the new Law, all economic sectors will be brought within the scope of the VAT under which tax will be paid on the basis of actual transaction values instead of highly reduced and arbitrary negotiated approved values that are currently embedded in the tariff schedule (for manufacturing goods) and truncated bases (for services and the trading sector) under the existing law. In addition, the VAT base will be further expanded by substantially reducing the long list of exempt goods and services that are provided under the current law. An assessment by the NBR estimated that revenue foregone due to various types of tax expenditure could be as much as 2.5 percent of GDP in 2005, of which VAT accounts for about 2.07 percent of GDP[[8]](#footnote-8). According to IMF forecasts, it is expected an increase of the VAT yield from 3.7 percent in 2012 to 4.6 percent of GDP by the end of the program.

**Table 4: Comparison of Existing VAT and New VAT Law**

|  |  |  |
| --- | --- | --- |
| **Feature** | **Existing VAT** | **New VAT law** |
| **Tax Base** | * Narrow tax base * Wide ranging exemptions * Limited coverage of services | * Broad tax base * Limit exemptions to a small number of products * VAT will apply to all sectors including imports, manufacturing, services, and distribution (Extending the VAT to service sectors-any commodity that can be consumed will be subject to VAT unless exempt) |
| **Rules** | * Tax base can be modified by rules | * Tax base can only be modified by Parliament |
| **Registration** | * Separate registration for each place of business * VAT imposed on movements of goods between two places of business within the same taxpayer * Difficult to comply with and requires adoptions to normal record keeping and accounting | * Single registration for each taxpayer * No VAT on simple movement of goods; single registration focuses VAT imposition on transactions * Consistent with accounting practices-option for branch registration if separate accounts are maintain |
| **Taxable Value** | * Complex mixture of rules * Notification and pre-approval of prices required * Set tariff values * Truncated base for specific sectors (service and trading sectors) * No general anti-avoidance rule for associates | * Clear and simple rules * Taxable value is the consideration for the supply (price) * No set tariff values * No truncated bases * Fair market value for some supplies to associates |
| **Price Approval** | * Requirement to have prices and input-output coefficient processes approved | * No price approval process |
| **Input tax Credits** | * Severe restrictions on input tax credits both in law and practical operation * List defining which inputs qualify for credits * Timing of credits matched to timing of output * No input tax credit allowed for VAT deducted at source, nor for Advance VAT paid on import | * All taxed inputs are creditable to the extent that they are or will be used to make taxable supplies * No list narrowing which inputs qualify for credits * Credit available in the return for tax period of purchase * VAT withheld at source and advance VAT paid on imports are creditable |
| **Systems** | * All systems are manual | * The law provides for full conversion to electronic and online processes. |

*Source:* Implementing a new Value Added Tax in Bangladesh, IMF, 2011; modified as per the new VAT law approved by the Parliament.

1. **The new VAT presents an opportunity for addressing shortcomings in tax administration.** Revenue performance is further exacerbated by weakness in the tax administration. The VAT imposes substantial burden on taxpayers who are required to register and account separately for each of their manufacturing sites, maintain elaborate records, and physically visit the tax office in order to file their tax return and comply with their obligations. According to the most recent business survey, revenue administration performance is perceived as one of the most important constraints to investment and growth in Bangladesh. Taxpayer compliance cost is high as demonstrated by the Doing Business indicators. For the typical firm of the Doing Business exercise, total time spent preparing and paying taxes in Bangladesh was 302 hours in 2012.
2. **The VAT administration is organized geographically and seriously understaffed.** The headquarters office is supported by the field offices, including 254 local circle offices throughout Bangladesh, which report to 84 divisional offices reporting to 12 regional commission offices (“commissionerates”). Understaffing and difficulty in filling approved positions-with an average vacancy ratio of about 71 percent, is a real issue in the NBR VAT Wing. As set forth in Table 5, there are 1,176 tax administration officials out of 4,005 approved positions in the VAT Wing commission offices. The VAT Wing HQ with only twelve tax administration officials out of 24 approved positions is also insufficiently staffed and empowered to adequately direct and control the large number of field offices, which operate with significant autonomy and minimal effective oversight of their performance from headquarters.

Table 5: VAT Staff Positions and Vacancies, 2012

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Approved Positions** | **Filled Positions** | **Vacancy (in %)** |
| VAT Wing HQ | 24 | 12 | 50% |
| VAT Wing Commission Offices | 4005 | 1176 | 70% |
| **Total VAT Wing** | **4029** | **1188** | **71%** |

Source: NBR

1. **Currently, both field office and headquarter staff are not organized into units based on tax administration functions.** In the field office, staff is assigned a range of taxpayers for whom they perform a broad range of functions, which is inherently inefficient and subject to collusion. This form of organization is one of the biggest weaknesses in Bangladesh’s VAT administration as it does not allow for specialization among tax officers, nor centralization of routine functions (e.g. processing tax returns and payments, telephone-based assistance), which are critical for achieving efficiency in administration. The performance of core business areas is weak as demonstrated by: an inaccurate taxpayer registry, low filing and payment rates, low audit productivity and coverage, limited almost close to zero take up ratio of electronic services, etc. For instance, national audit coverage fell from 242 audits completed in FY2007-2008 to only 148 in FY2008-2009, resulting in an audit coverage of only 0.034 percent[[9]](#footnote-9), which is significantly low compared to international standards for effective audit program coverage of 25-30 percent of taxpayers each year.
2. **The current VAT administrative model is characterized by low level of automation and outdated processes which is detrimental to tax collection and efficiency of the administration.** The current structure supports a full administrative assessment approach which involves pre-assessment checking of virtually all tax declarations and significant personal interaction with taxpayers through a highly distributed network of field offices. NBR has very limited IT capacity. A range of electronic services (e-filing, e-payment gateway, e-audit, contact centers) provided to taxpayers is under development. E-services are still very limited but with their planned expansion, this would enable tax payers to manage their tax filing and paying responsibilities without face to face interaction with a tax official.
3. **Introduction of the new VAT law would catalyze improvements in tax administration by introducing self-assessment and spurring implementation of functionally organized VAT administration.** The introduction of a full self-assessment system would minimize direct intervention in the assessment process by tax officials and direct far more efforts to targeted risk-based compliance controls. According to the high-level design of the organizational structure endorsed by the NBR’s Chairman, the VAT Wing will move towards streamlined and function based organization, which is anchored by a strong headquarter that sets policy and provides program direction and guidance to the field offices. To carry out these functions, the HQ functional responsibilities will be organized into a more logical groupings with dedicated unit established for each major function, e.g. Member VAT Policy, Member Operations and Information Technology; and Member Audit and Intelligence.
4. **The network of field offices will be strengthened and their responsibilities clarified**. Two different organizational set-ups would be established aiming at focusing the new organizational arrangements on the most-revenue productive commission Offices-where the changes can be expected to have the biggest impact and more easily be managed and minimize disruptions to other commission offices. Since the vast majority of economic activity in Bangladesh is concentrated in the capital Dhaka, and the corridor between it and the port city of Chittagong, in these locations the Commission Office with be responsible for all aspects of VAT administration, including VAT registration and taxpayer services, audit, and collection enforcement. Consequently, the commission offices in these locations will be reorganized by establishing functional units for registration and taxpayer services, audit, and collection enforcement, and other services. The Division will also be organized along functions lines, however together with Circle offices they will be responsible for administering the turnover tax only and will have no role in the VAT.
5. In all other locations, VAT administration will be a shared responsibility between the Commission and the Division Offices, while the turnover tax will be a shared responsibility between the Divisions and Circle offices. In these locations, the commission office will be responsible for the more complex VAT administration tasks and will be reorganized along functions lines e.g. registration and taxpayer services, audit, and collection enforcement. The division offices will be organized into two units-registration taxpayer services and audit and enforcement. Regarding the VAT administration, the division offices will perform the routine administrative operations such as provide a walk up counter service to accept VAT and turnover tax forms and forward them to the processing center; answer taxpayer’s queries on the turnover tax and when possible the VAT; advisory visits to taxpayers’ premises to explain their obligations under the VAT law and how to comply with these obligations; conduct less complex and less risky VAT audits, etc. A comprehensive timetable for the organizational arrangements of the VAT Wing will be developed under the program.
6. **To address understaffing at both the HQ and field offices more than 500 new staff will be recruited and assigned to the VAT Wing.** Staffing needs and assignment will be done using a three step workload methodology[[10]](#footnote-10) to ensure that a sufficient number of staff is assigned to the field offices, and that staff is allocated in appropriate proportions to each tax administration function. It is expected that the largest portion of new staff will be allocated to the highly revenue productive Commissions in Dhaka and Chittagong. A staffing plan will be developed to ensure adequate sequencing of hiring and training of both transfers and new hires as well as clarify the roles and responsibilities between the existing staff and new hires.
7. **Introduction of the new VAT law would be accompanied by the modernization of the core business processes.** Core business processes would be streamlined, automated and brought in line with good international practices. Taxpayers will be given a substantial higher level of service and assistance to help them to better understand and comply with their obligations under the new law. At the same time, a higher degree of scrutiny and enforcement using modern-risk based methods would be applied towards those taxpayers who fail to comply with their obligations under the new VAT law.
8. **Improved business processes built on effective IT systems, are critical.** Automation will play an essential role in improving VAT administration. As a result, the NBR will establish a new integrated VAT Management system, based on Commercial-off-the-shelf (COTS) along with three new organizational units, including: (i) a Processing Center to process tax returns and other taxpayer documentation; (ii) a Data Center where the technology system reside and taxpayers’ record will be stored; and (iii) a Contact Center to respond to taxpayers’ queries (the center will receive queries by phone, letter or e-mail) about the tax law, the status of their accounts, get taxpayers feedback; gather taxpayers complaints, set them to responsible officers in the concerned department for addressing grievances, and disclose them to the public. The Integrated VAT Management System will be a stand-alone application and capable of integration with other NBR information systems. The system will be run on a centralized platform to which all tax offices as well as the Contact and Processing Centers will have access. While the systems and data are run on this central platform, access must be available to staff in various locations of the VAT Wing. Therefore a data network as well as basic tools (desktop, laptop, servers, printers, routers, generators, etc.) will be provided to ensure safe and secure connectivity between this centralized platform in the central Data Center and the VAT HQ, commissions, division and circle offices. A range of electronic services will be provided to taxpayers (e-registration, e-filing, and e-payment), support tools to tax officials and reporting capabilities to the managers.
9. **Ideally, the VAT should be implemented in a functional organizational structure where integration and data sharing could be better managed and the IT system less costly and efficiently utilized. However, the conditions for pursuing such good practice seem not to be there for quite a while in Bangladesh for the following reasons**: (a) the entrenched cadre system (typical of the South Asia region) that divides the tax administration into income tax and VAT and customs officials, thus limiting integration and even harmonization across these two parts of the tax administration; (b) the urgent time frame required to implement the new VAT law; (c) the on-going, separate administrative reforms and automation already underway in the income tax wing, supported by the Asian Development Bank; (d) the lack of a single vision for harmonizing the ICT systems under development. Consequently, pursuing such first best approach-implementing the VAT in a fully integrated functional organization structure, is not feasible at this stage as merging income and VAT wings cannot be done overnight and is expected to be strongly resisted. It is worth mentioning that even in revenue systems where domestic tax administration-responsible for administering the VAT and customs responsible to collect import VAT, are integrated and supposed to share information with tax administration in order for the latter to administer the VAT refund, the coordination is not warranted.
10. **However, the momentum for VAT implementation exists and presents a window of opportunity for both the Bank and the NBR. The success of the VAT launch could provide impetus and political support for possible integration at later stage (e.g. the case of Vietnam and to an extent Ghana).** The VAT Improvement Program is a demand driven operation in the context that (i) the Government has already adopted a new modern VAT law following good practice and will have to implement it anyway by July 2015; (ii) the VAT implementation is aligned with and directly linked to the ECF program with continued IMF TA support (even with the FAD resident advisor for VAT implementation) on furthering the regulation for the VAT administration; and (iii) importantly, the VAT and income tax wings have reached an agreement on using the same database platform for their respective administration software systems.
11. **Additionally, the recently established ICT working group will be instrumental in carrying out a comprehensive assessment of long-term IT management/operations capacity of the VAT Wing, and based on it develop an adequate capacity building program considering the central role the IT will have in VAT improvement program results.**

Box 1*:* Main Features of the new VAT Law

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| * + - * ***Registration***-The VAT registration thresholds under the existing VAT law is Taka 8 million. The new law does not change the threshold, and provides for three taxes: a creditable 15 percent VAT that is chargeable by businesses with taxable sales above Taka 8 million; a non-creditable 3 percent turnover tax that applies to businesses with taxable sales between Taka 2.4 million and Taka 8 million, and a supplementary duty of varying rates that is chargeable on sales of specific goods and services.       * ***Coverage****-*The new VAT will apply to all sectors, including import, manufacturing, services, and distribution. The revenue increase will be generated not by raising the VAT rate, which remains unchanged at 15 percent, but instead by considerably broadening the tax base.       * ***Taxable value of supply***-the VAT is imposed on the actual sales price instead of arbitrary tariff values or truncated bases; taxpayers are no longer required to have prices and input-output coefficients approved by tax officers and the restrictions on price discount have been eliminated.       * ***Input tax credits***-the new VAT law provides for much broader use of input tax credits by making creditable all taxed inputs to the extent they are used to make taxable supplies compared to the old VAT which placed severe restrictions on input tax credits.       * ***Calculation method***-the amount of VAT due in each reporting period is based on the invoice-credit method where the amount of tax to be paid equals VAT charged on sales (and other positive adjustments) minus VAT paid on inputs (and other negative adjustments).       * ***Timing for remitting VAT to government***-the new VAT law allows tax to be remitted to government when the tax return is due and eliminates the current requirement for manufacturers and some service providers to remit VAT before shipping goods or providing services.       * ***Refunds***-explicit rules are now provided for carrying forward and refunding excess VAT credits.       * ***Arrears collection***-the new law vests the NBR with some additional powers to recover tax arrears, including the authority to freeze a tax debtor’s bank accounts, place a lien on the tax debtor’s property, and hold company directors liable for paying unpaid taxes. It also allows tax debtors to pay their arrears in installment for up to 12 months (only 6 months under the existing law).       * ***Appeals***-under the new VAT law, taxpayers will be able to access an Alternative Dispute Resolution system. They will also be required to pay 10 percent of a disputed tax before being entitled to file an appeal.       * ***Exemptions and Supplementary Duty***-the number of exempted goods subject to the supplementary duty have been substantially reduced under the new VAT law.       * ***Special arrangements***-include advance tax on imports, withholding of VAT by certain categories of taxpayers from their suppliers, and special schemes for supplies of residential premises, telecommunications, and alcohol and tobacco products (for supplementary duty). |

*Source*: A Draft Plan for Implementing the New Value Added Tax in Bangladesh, IMF, 2013.

1. **The VAT Improvement Program aims to increase revenues by enhancing voluntary compliance, reducing non-compliance, and enhancing the transparency of VAT administration. It will achieve its results though addressing shortcomings in the tax administration that have led to non-compliance, and through automation of the administration in time for the introduction of the new VAT.** NBR faces significant obstacles to control and address non-compliance issues, including non-registration, non-filing, under-reporting and non-payment, as illustrated in the tax administration results chain diagram (Figure 2). Achievement of short-term results or outputs, which are a pre-requisite for medium to longer term results achievement, would require significant reform efforts on the following fronts:
2. **Closing the Taxpayer Registration Gap: It is made up of individuals or enterprises that should be registered as taxpayers but are not.** The taxpayer register is the bedrock of a tax administration, and lack of accuracy and reliability of the taxpayer register will in turn produce deficiencies in both the collection and enforcement process, and subsequently increases administrative and compliance costs. It is imperative for the tax administration to know its client base, and a unique Taxpayer Identification Number (TIN) be assigned to taxpayers in order to ensure a correct identification in the taxpayer register (preferably a unique number that is issued for income tax, VAT and other taxes where appropriate). Implementation of a unique taxpayer identifier across all tax-types as opposed to multiple TINs is generally considered a good practice.
3. **In Bangladesh, the true size of the VAT taxpayer base is not known**. Management notes that the taxpayer registry contains about 755,000 businesses, with a VAT population of over 430,000 businesses. In reality a large proportion of these businesses are inactive.
4. **The existing taxpayer registration process is manual and suffers from many defects including representation errors, duplicate numbers, incomplete database, and inconvenience of a decentralized registration procedure**. Consequently, the current VAT, income and turnover tax registers are out of date and do not provide an accurate estimate of the expected number of taxpayers. Furthermore, the new VAT law stipulates some changes in the registration rules, including: (i) every business required to be registered shall have one single registration for all of its operations, including branch operations; (ii) BIN to be a unique number which no longer contain any identifier or changeable attribution e.g. digits that link the taxpayer to a particular geographical VAT office will be removed; and (iii) in addition to the general registration of businesses, NBR will maintain a record of all businesses identified as a "withholding entity" and will require all VAT consultants to apply for a license.
5. **An accurate estimate of the expected number of VAT registrants is an essential prerequisite for making key assumptions in a number of development areas and a key indicator of the success of basic enforcement activities.** The estimated number of VAT population is critical in determining the scale of operations and developing VAT strategies and plans. The estimated number of VAT population will influence the forecasts of the number of each transaction type, estimates of the number of staff required in each role, organization design criteria, staffing numbers, accommodations requirements, training demands, and sizing for the outsourcing of return and payment processing and taxpayer contact center activities. These estimates then form the basis for the IT technical specifications for data center size, network design and procurement, hardware and software procurement, and database sizing.
6. **Consequently, a targeted VAT re-registration exercise supported by a comprehensive taxpayer education and communication program will be undertaken so that the forecast of the number of VAT population is as accurate as possible**. An effort is currently underway to associate existing BINs with the new TINs in an attempt to establish a "clean" database of existing VAT payers. The use of the TIN for VAT payers will first be employed by Customs hopefully early in 2014. As a result, there should be no delay in the use of the TIN for VAT payers in the new system.
7. **The VAT re-registration will benefit from and build on the online income tax TIN registration initiative**. This was launched on July 2013, and supported by the Bangladesh Investment Climate Fund. Under this new system, tax registration numbers will be issued online after validating taxpayer information on-real time basis with the National ID database and Registrar of the Joint Stock Companies (RJSC) database for individuals and businesses respectively. The e-Registration solution includes a digitally signed registration document issued to the taxpayer and an e-Service authentication solution to permit secure electronic services. The positive results achieved under the online income tax TIN registration program are summarized in Box 2.

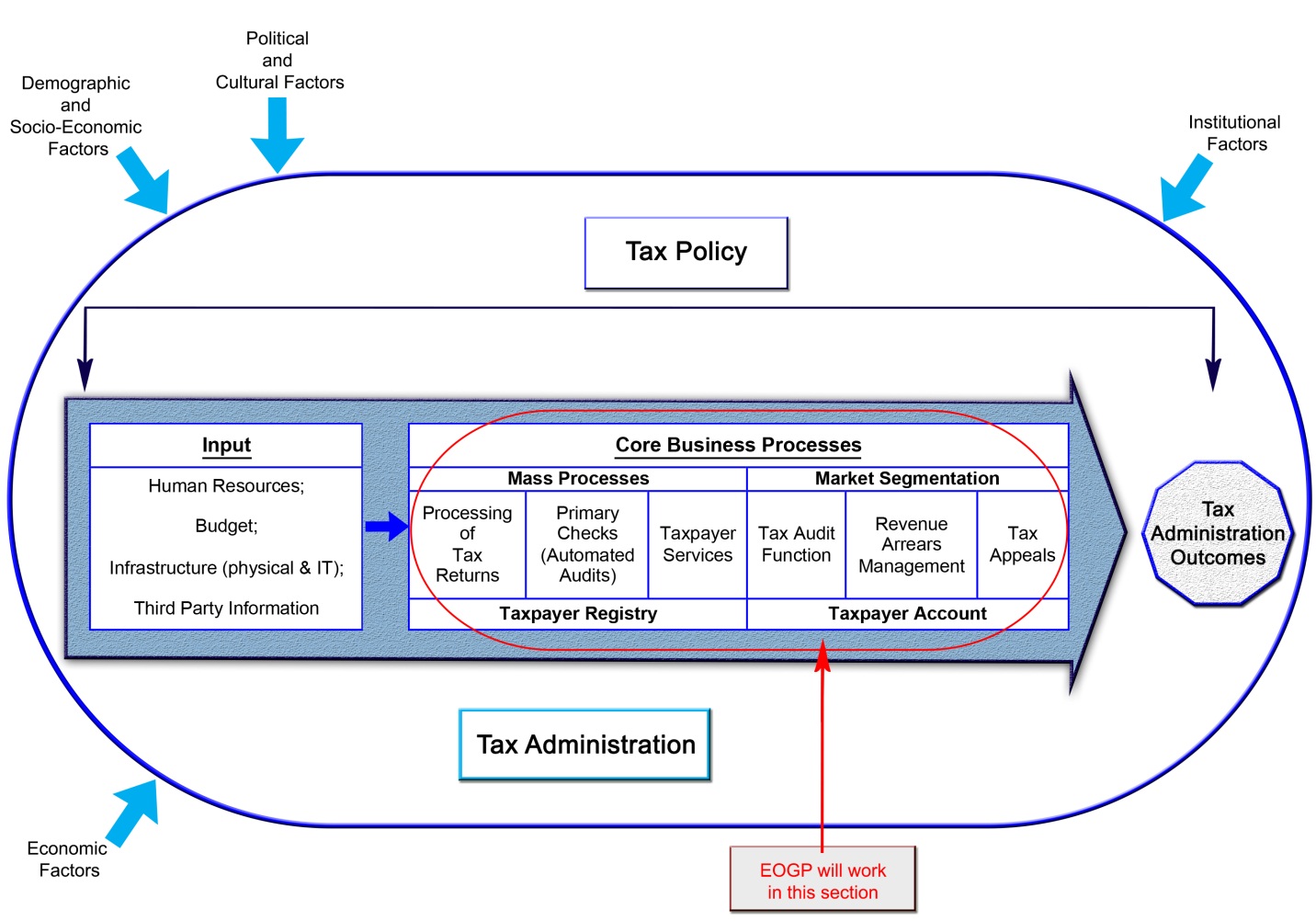
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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **As On** | **Re-registration** | | | | | **New Registration** | | | | |
| **Individual** | | **Ltd. Company and Firms** | | | **Individual** | | **Ltd. Company and Firms** | | |
| **Male** | **Female** | **LTd. Company** | **Reg. Firm** | **Un Reg.**  **Firm** | **Male** | **Female** | **LTd. Company** | **Reg. Firm** | **Un Reg. Firm** |
| **24/10/2013** | **410,892** | **78,631** | **3,813** | **38** | **2,467** | **86,045** | **16,478** | **1,820** | **76** | **996** |
| **489,523** | | **6318** | | | **102523** | | **2892** | | |
| **495,841** | | | | | **105,415** | | | | |
| **601,256** | | | | | | | | | |

**Box 2: Positive results achieved under the online income tax TIN registration program**

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| * + - * ***Reduction in taxpayer compliance cost***. Taxpayers can now register with tax authority online in a process that takes about 5 minutes. The previous system took more than 9 days and an official fee of US$ 13 per registration, which was considered as an advance income tax. This fee was removed as per recommendation of BICF. The new system does not require direct interaction with tax officials or the use of a tax intermediary for registration purposes, and hence the need to make informal payments (on an average US$ 26/registration) has been completely removed.       * ***Improved governance***. The new system will clean up the existing database and enable improvement in tax governance and oversight, which in turn will result in better fiscal planning. Currently, there are about 3.7 million tax registration holders, of which only 1.8 million have accurate data and are filing tax returns on a regular basis. As shown above, more than 100,000 new taxpayers, including individuals and companies, were brought into the tax net.       * ***Application of digital signature in a government service, as a key backbone to implement entirely e-governance.*** This is the first time digital signature is being used by any government agency in Bangladesh in delivering services to citizens and businesses*.*       * ***Better coordination and sharing of information.*** This is one of the few cases in Bangladesh where 3 government agencies- the NBR, the RJSC and the Election Commission (owns National ID database), are sharing information on real-time basis in delivering a public service. |

1. **There is also a need to close the filing gap-the gap between those registered and who should file tax; and those who actually file taxes.** Accurate date is currently not available, but filing compliance is extraordinary low, with a total of only 62,000 VAT returns filed by the 430,000 VAT taxpayers. In order to reduce the number of non-filers or stop-filers, modern tax administrations have established a centralized processing center and provided for e-filing systems; so that the tax forms can be filed electronically and sent directly to a central processing center. Non filing will be automatically identified for each tax period at the processing center. The computer system will track which taxpayers are expected to file returns and by which date. If a return is not received on time, the system will generate an electronic list of late filers for the period, which will be automatically allocated to the relevant commission office. Basic risk profiling will be used to prioritize the assignment of cases, e.g. persistent non-filers will be allocated a higher priority, and consistent follow up actions will be applied.
2. Making self-reporting and filing easier is important to close the filing gap; as this reduces the costs for both the taxpayers and the administration. When filing on-line, taxpayers spend less time preparing their returns, which results in significant reduction in taxpayers’ compliance costs; and removes the face to face interaction at local offices which is often associated with misreporting for mutual benefit. Encouraging taxpayers to submit returns electronically under the program, should also significantly reduce administration costs, since a central processing center will have some economies of scale compared to processing at a large number of local offices.
3. **The program supports the reduction in the payment gap; which arises when taxpayers who file returns, or are audited, do not meet their outstanding tax liabilities on time**. Accurate date is missing, but the paying compliance is extremely low, with a total of 50,000 registered businesses paying VAT. The progress in reducing the magnitude of this gap typically requires coordination across two different units in a tax administration: payment processing and arrears collection. To facilitate the smooth payment of tax liabilities, taxpayers will be encouraged through the program to make their tax payment through electronic means. Additionally, establishment of a data center that stores taxpayer data (registration, payment and reconciliation between the payment credited to the taxpayers’ accounts and the tax actually deposited in the treasury) will contribute towards reduction of this gap. Non-payment of taxes will be addressed with the same automatic identification and follow up of cases as for the non-filer cases.
4. **To reduce the reporting gap requires strengthening of two core business areas, namely audit and tax appeals.** The reporting gap arises when registered taxpayers file their returns, and even though they make timely payment of the obligations calculated in their returns, but under-report their tax liabilities. Under the existing system no national audit program targets have been set, and no standard audit case selection criteria are used. Therefore each office determines its own audit program along with the number of audits to be conducted and cases to be selected, and usually this is based on the local knowledge rather than risk-based criteria. The audit coverage of 0.034 percent in FY2008/09 is extremely low compared to international standards for effective audit program coverage of 25-30 percent of taxpayers each year. The additional assessment resulting from conducted audits is also low.
5. **The program supports the audit function by establishing a fully risk-based automated system which will be used to improve the process of identifying audit-cases based on risk criteria.** Audits are a key tool used by tax administrations to increase compliance by: (a) detecting and redressing individual cases of non-compliance; (b) promoting voluntary compliance by increasing the probability of detection and penalties for non-compliant taxpayers; and (c) gathering information on both the health of the tax system and the evasion techniques used by taxpayers. The establishment of independent appeal mechanisms and the availability of alternative dispute resolution mechanisms to resolve taxpayers’ complains are also required for a fair application of the tax system. An Alternative Dispute Resolution Mechanism was launched to reduce the stock of foregone taxes in dispute, and rolled out to all jurisdictions in July 2012, with a number of taxpayers already availing this mechanism.
6. **The Customs Wing will play a critical role in the effective introduction of the VAT.** The importers are liable to pay the VAT on taxable imports and supplementary duty on imported dutiable goods, with the VAT and duty being collected in the same way as customs duties. The VAT will be calculated on the value of the goods as determined for the collection of customs duty under the Customs Act, including any amount of customs duty, supplementary duty or other tax payable on the import. Exports of goods and certain specified services will be zero-rated for VAT purposes. The customs’ trader register for importers and exporters in ASYCUDA will be updated to link the new TIN that will be issued to VAT and enlisted turnover taxpayers. Consequently, the VAT and Customs Wings will coordinate to ensure that the customs register will be kept up-to-date to reflect any change in the VAT register.
7. **Customs data will be a crucial element in the success of the VAT audit program. Hence, establishment of coordination arrangements between the customs and VAT Wings is paramount.** Much of the VAT collected by customs will subsequently be claimed as input tax credits on VAT returns filed with the VAT Wing. The VAT staff will rely on customs documentation for the purposes of verifying the accuracy of reported import and export transactions. For the VAT audit function access to up-to-date import and export data is a basic requirement. Consequently, the program envisages establishment of coordination arrangements between the VAT and Customs Wing to ensure exchange of information on a regular basis.
8. The results chain for the program is explained in Figure 2.

Figure 2: The Tax Program Results Chain

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1. **Transforming the organization in this way will be a complex and sensitive undertaking, consequently, a strong change management program is needed.** As with any change, particularly in the case of tax policy and tax administration reforms, which are technically demanding, politically contentious, and require careful and sustained implementation over time, it is paramount to design and implement a change management program throughout the project life and beyond. Hence, the program will support activities aimed at developing and implementing appropriate strategies for managing organizational change at all levels of VAT Wing, including a robust behavioral change communication strategy to explain the rationale and potential impact of proposed changes to all managers and staff. Additionally, training on change management will be designed and delivered.
2. **A comprehensive taxpayer education and communication program is also needed.** The behavioral change communication strategy and the public education campaign, using multiple communication channels including new media (social media, mobile) and mass media, should take a two-pronged approach: (i) behavioral change communication to promote compliance, electronic registration, etc.; and (ii) advocacy to sustain the policy dialogue. Generating broad-based consensus and a continued policy dialogue through a creative communication program will help to continue the reform efforts irrespective of the political situation.
3. Hence, the program will use and provide a variety of instruments, including: develop and implement a comprehensive taxpayer education program and communication campaign to raise awareness and inform the VAT stakeholders and public at large about the VAT reform and potential impact of proposed changes; organize regular consultations, workshops, and presentations to the private sector, which is unfamiliar with and opposes the overall tax reform process; public information campaign by using government TV and other media advertisements; advertise requirements to register for VAT, bookkeeping requirements and invoicing regulation, and issue registration packs (guide and forms) to expected registrants; provide advisory services to initial registrants; draft explanatory materials; registration guide to support the registration process, general guidance booklet to explain the VAT in details; draft a set of technical guidelines to provide assistance to taxpayers in how to apply the new VAT Law and rules to specific business situations and in relation to specific industries; industry specific pamphlets, briefings for targeted taxpayers to inform them on the expected impact of the VAT.
4. **An institutional strengthening and capacity building program is included in the design of the program.** A comprehensive and continues institutional strengthening and capacity building program is needed to enable staff to apply the new VAT law, use the new technology and carry out their work using the new administrative processes. The training program should be tailored to specific groups of staff based on what they need to do their job and deliver on their mandate. Enhancing the analytical capacity of the NBR to carry out tax gap analysis and modeling and revenue forecasting should also be included in the training program.
5. **Continuous commitment to tax reform will be needed to implement such a complex tax modernization plan**; and the benchmark in the IMF program should reduce the risk that the resolve will diminish over time or under a different leadership or administration. NBR has already moved ahead on several activities, including: (a) a high level Program Steering Committee chaired by the Chairman and comprised of ten members was established to ensure high level drive and manage critical issues that affect implementation. A Program Implementation Committee, chaired by the Member (VAT: Enforcement and IT) of NBR and consisting of eight officers not below the rank of Deputy Secretary/Deputy Chief from key agencies was also established. (b) In March 4th, 2013, a decision was taken by the Minister of Finance for purchasing a Commercial off the Shelf (COTS) software; (c) Cost estimates for VAT implementation have been finalized; (d) IMF has appointed a Resident VAT Advisor for facilitating the implementation of the draft plan; (e) NBR has established a Technology Working Group to develop a long-term ICT harmonization strategy and identify and establish common approaches to matters across all wings; (f) GoB approved the Development Project Proposal (DPP) on “Value Added Tax and Supplementary Duty Act 2012, 2012 Implementation Project” popularly known as “VAT Online”. Despite these developments, continues commitment to reform is needed to maintain the momentum and move forward such a complex tax modernization plan.

## Technical Soundness

1. **The technical soundness of VAT Improvement Program design, its strategic relevance, the institutional implementation arrangements, the feasibility of its outputs and their linkage to program results are all deemed adequate and within the capacity of the implementing organizations, as suitably strengthened under the capacity building component.** The design of the program has taken into account (i) international good practices and (ii) lessons learned from tax reform efforts in other countries and implementation of World Bank tax modernization reform projects. They are summarized in Box 3.

**Box 3: Lessons Learned for Tax Reform Efforts and some Key Features of Modern Tax Administration**

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| * *Successful administrative reform requires sustained political will as much as technical capacity.* A sound reform strategy, technical understanding and adequate human resources are essential, of course, but so too is political commitment—from the highest levels and over substantial periods of time—to overcome resistance (not least from the revenue administration itself), ensure effective application of the laws, assure funding, and drive through complementary legal and tax policy changes. Where this has been present (in Peru, Ecuador, Guatemala, Georgia, and Rwanda, for instance), progress can be substantial; where it is not, it will be minimal. This important lesson we have learnt not only from the tax administration reform projects, but from all bank operations. * *A medium to long-term strategic vision, owned by the tax agency, is needed to carry out a comprehensive reform and build the required capacity***.** The program is supporting the government’s broader tax reform agenda as articulated in the Tax Modernization Plan 2011-2016. This important lesson we have learnt not only from the tax administration reform projects, but from all bank operations. * *Tax policy and other legal reforms must be identified and prepared in advance of the project implementation if the expected increases in tax administration effectiveness and tax collection are to be achieved*. In case tax policy reforms are not introduced in a timely and effective way, mitigating measures must be in place along with the needed political and institutional commitment to carry them out. Tax policy and other legal changes need to be taken in parallel with institutional capacity development to achieve full benefits from planned reforms. Indeed, the program is supporting the implementation of the new VAT law approved by the Parliament in November 2012 and envisaged to be introduced in July 2015. (Pakistan: Tax Administration Reform Project). * *The need for concrete and visible senior management support*. The extremely complex process of modernizing any tax administration requires strong, committed leadership, convinced fully of the need to modernize, enthusiastically championing the reform process. The program design has reflected this important lesson, and senior management of the NBR is involved and committed to reform. A Program Steering Committee and Program Implementation Committee consisting of senior management of key organizations have already been established. (Indonesia and Vietnam tax administration reform projects). * *Computerization is a support tool and should not be the driving force in the reform process.* The program has been designed acknowledging that the reorganization and modernization of business processes and the strengthening of management and planning as well as capacity building of the tax officials are the core elements of improving tax administration efficiency. As part of the project monitoring system, it is important to ensure that when new IT applications are introduced in the field:  (a) they are field tested, (b) adequate training in new business processes is provided to users, (c) adopting the new procedures is identified in strategic plans, and (d) rewards or recognition of staff for adopting new processes are in place. This lesson learnt has impacted the design of many tax administration reform projects with ICT component. More specifically, Argentina, Brazil, Colombia, Ecuador, Mexico, Indonesia, Vietnam, Pakistan, Croatia, Bulgaria and Romania tax projects. * *A broad and continued policy dialogue on tax reform is needed in parallel to increase the likelihood of success for the newly implemented revenue administration reforms***.** Supervision of projects can quickly get bogged down in the minutiae of implementation issues, diverting attention from a broader policy dialogue on fundamental tax reform that is critical to ensure that project outcomes are converted into sustainable results (Pakistan: Tax Administration Reform Project, Colombia, and the Philippines). * *Substantial enhancement of tax administration effectiveness requires fundamental organizational change.*Revenue administration reforms entail the implementation of substantial organizational reforms with the potential to disrupt operations at field formations and inflame staff’s stiff resistance to change. Extensive consultations with stakeholders using a bottom-up participatory process, constructive dialogue and adequate risk mitigation measures at the outset are needed. Reorganization action plans need to be phased-in carefully over a realistic period, while adequate safeguards and ongoing monitoring need to be actively undertaken through an effective communications and outreach program in order to facilitate stakeholders buy-in and to address perceived or real inequalities among staff. Indeed the program envisages for a change management and a comprehensive taxpayer communication and education program; mitigation measures for critical steps which are on the critical path of implementation; monitoring and reporting progress twice a year. (Pakistan and Vietnam projects). * *Efforts to control the potential for corrupt behavior by tax officials requires a comprehensive strategy aimed at reducing the motive and opportunity for corruption, and providing incentives for integrity to take hold.* (Vietnam: Tax Administration Modernization Project). * *Stand-alone investment loans may not be the most appropriate instrument for supporting major tax reform.*Effective support of high-risk/high-return investment such as fundamental tax reform requires an array of Bank’s instruments suited to tackle capacity building, tax policy, legislative reforms and political economy analysis towards specific and long term maturing development objectives. Flexible and results-oriented lending instruments supporting a tax reform strategy with sensible sequencing of actions, greater recognition of political economy factors and the governance context, robust TA support, and continued policy dialogue, are best suited to bring sustained development objective results compared to the traditional, stand-alone investment lending approach. (Pakistan: Tax Administration Reform Project).   ***Key Features of modern tax administration***  Modern tax administrations are moving towards:   * *Function or “hybrid” based organization as opposed to type-of-tax organization*. In practice, most tax administration‘s organizational structures are a mix of the different features and characteristics of models available, which is called ―the “hybrid” model. In this regard, while most tax administration‘s organizational structures are based on the functional model, the majority of them have established a Large Taxpayer Unit (LTU) and some residues of a type-of-tax oriented tax administration have survived in many of them (e.g. excise taxes administered by customs in countries where customs have been merged with tax administration‘s operations). * *Improved corporate governance including streamlining the organizational structure and strengthening the role of HQ in designing programs and providing strategic guidance.* The large office network is anchored in the old way of doing business, and is associated with many disadvantages. The function based management model means that the role of headquarters cuts across normal, vertical lines of authority in the organization. Hence, HQ’s role in designing programs and providing strategic guidance to operational levels should be strengthened. * *A client oriented approach which seeks to reach an adequate balance between taxpayer service and compliance enforcement.* There is a link between taxpayer services and compliance, and it should be visible to taxpayers in all dealings with the tax administration. In modern and client oriented tax administrations, service approach is integrated into the core tax programs aiming at making all contact between the tax administration and taxpayers as simple and efficient as possible. Under this model, for example, it is considered a good practice to establish call centers and a move towards larger and more centralized service centers to ensure delivery of consistent, high quality service that enables specialization (e.g., by taxpayer segment or tax type and procedure). * *Self- assessment as opposed to administrative assessment*. This reflects a move towards (i) more comprehensive and targeted approach to providing help and assistance to taxpayers; (ii) systematic verification of reported tax liabilities through risk-based desk and field audits; and (iii) computerized matching of income reports. * *Dedicated processing centers (e.g. for processing of tax returns and payments).* Under this approach, dedicated process-oriented centers have been established to deal with massive processes that apply to all taxpayers segments of taxpayers or type of tax, e.g. tax return processing, primary checks to all tax returns, and basic information services. |

1. **While the program envisages a strong focus on the introduction of the new customized of-the-shelf commercial tax administration software; the DLIs encompass the comprehensive tax administration reform program, so that the ICT purchase cannot be considered an end in itself.** The program envisages a comprehensive reform for the VAT Wing, including moving towards streamlined and function based organizations, development and implementation of a new integrated VAT Management System along with institutional strengthening and capacity building, change management, and taxpayer education and communication outreach activities. When the assistance is provided within a broader tax administration modernization reform, it is not possible to isolate and assess the impact of ICT improvements downstream in tax administration outcomes. Additionally, isolated ICT reforms not complemented with strong institutional strengthening and capacity building components are not likely to succeed, as ICTis a support tool and should not be the driving force in the reform process. Consequently, DLIs include one process indicator and key outputs in the results chain- increase in the number of registered active VAT taxpayers and take up ratio of electronic services, i.e. taxpayers who file and pay online. These are critical aspects of an efficient tax administration and would contribute towards enhanced VAT revenue mobilization capacity.
2. **An Implementation Plan for the VAT was drafted with IMF assistance, and approved by the Minister of Finance on March 4th, 2013. The recently revised plan and endorsed by the Chairman (March 2013) will be implemented in a step-by-step manner over three carefully sequenced phases.** Each of the phases includes various streams of activities that are intended to create a new and fundamentally improved VAT administration. The timely delivery of the plan is dependent on the achievement of the milestones set forth in Figure 3. Annex 1 provides the detailed revised VAT Implementation Plan.

Figure 3: High Level VAT Implementation Plan (revised)

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| --- | --- | --- |
| **QIV 2013–QII 2014** | **QII 2014–QII 2015** | **QII 2015–QIV 2015** |
| Organizational structure: high level design | Secondary legislation: published | Filing and Payment Program: commences |
| Staffing: high level plan | Registration Program: commences | Taxpayer Accounting Program: commences |
| Administrative programs: high level design | Other VAT Programs: initiate development | Refund Management Program: commences |
| Business processes: high level requirements | Contact Center: operational | Taxpayer Services Program: commences |
| Communication strategy (staff): high level plan | Data Center: operational | Arrears/Non-Filer Program: commences |
| Training: high level plan | Processing Center: operational | Audit/Investigation Programs: commence |
| Office Accommodations: high level plan |  | Appeals Program: commences |
|  |  | Customs Program: commences |
| **Critical Milestones**:   * *February 2014: High level plans and designs completed* * *March 2014: All RFPs completed and issued* * *May 2014: High level business requirements completed* | **Critical Milestones**:   * *June 2014: Project management consultancy begins* * *August 2014: COTS Team begins* * *January 2015: Taxpayer registration begins* | **Critical Milestone**:   * *August 2015: First tax returns received* |

Source: Aide-Mémoire “Implementing the New VAT: Current Status and Next Steps” IMF, March 24, 2013.

1. **The program will have four components whose main functions and activities are described below:**
2. Operational Modernization of the VAT Wing of NBR;
3. Introduction of an Integrated VAT Management System;
4. Institutional Strengthening and Capacity Building;
5. Program Management, including program coordination and administration and change management and a comprehensive taxpayer communication and education program

### Component 1: Operational Modernization of the VAT Wing of NBR

1. This component aims to enable the NBR to ensure a high level of voluntary compliance with the VAT system. Streamlining and simplification of processes and the establishment of a service system responding efficiently to taxpayer needs will reduce the compliance burden for taxpayers. Activities under this component will increase the ability of the tax administration to detect tax evasion and collect the full amount of taxes due. Introducing new functional business processes in the VAT Wing will also increase transparency and reduce the discretion of tax officials. This component will contribute to facilitating the registration process and improving the reliability of information in the tax register. Furthermore, it will promote new electronic systems for registration, filing and tax payments, which can reduce both administration and compliance costs. It will also improve the capacity of the tax administration to verify tax refund requests aiming at reducing one of the major risk areas for tax fraud. This component will also cover arrears management, which is an important part of a compliance management system. This component will cover core VAT functional areas: (i) registration, return processing, tax payments, taxpayer accounting and tax refunds; (ii) tax audit; (iii) collection and enforcement; (iv) tax appeal; and (v) taxpayer services.The main activities will include but not limited to:

*Registration*

1. formulate a plan for conducting the initial registration of VAT taxpayers ;
2. formulate a plan to develop an analysis of taxpayer population and dependent estimates report and a third party quality review phase.
3. carry out the re-registration and harmonize the existing Business Identification Number (BIN) with the new TIN to establish a clean database of existing VAT payers;
4. introduce and strengthen electronic registration;
5. develop new procedures for taxpayer registration and e-registration, including for dealing with inactive and non-registered taxpayers;
6. develop high level business process model and description for registration;
7. design registration application form, procedures and notification of registration notice; and
8. develop operational manual of registration.

*Return Processing and Payment Accounting*

1. introduce and strengthen e-filing and e-payment;
2. develop new procedures for filing and payment (including e-payment and e-registration), and account management;
3. develop high level business process model and description for return and payment processing;
4. develop operational manual of return processing and payment accounting;
5. design return form; and
6. issue first VAT return and payment.

*Tax Refund*

1. establish a centralized refund management driven by risk-based systems;
2. develop new procedures for refund management; and
3. develop operational manual of refund management.

*Audit and Investigation*

1. Improve the audit planning process;
2. provide an automated system using risk analysis based on all available internal and external data;
3. develop audit manuals including for industry specific audits.
4. develop new procedures and techniques for desk and field audits including computerized audits.
5. develop operational manual of audit and investigation; and
6. develop high level business process model and description for audit.

*Collection Enforcement*

1. develop a comprehensive collection enforcement procedures manual;
2. improve collection and late/non-filer management;
3. develop high level business process model and description for collection and late/non-filer management;
4. develop filing and payment procedures and procedures related to prompt control of stop-filers and no payers; and
5. improve techniques and procedures for recovery of tax arrears.

*Tax Appeals*

1. review and improve appeal process mechanisms;
2. develop a program to deal with tax audits and introduce a centralized appeals case information management system;
3. develop new procedures;
4. develop high level business process model and description for appeals; and
5. prepare an operational manual of appeals.

*Taxpayer Services*

1. develop high level business process model and description for taxpayer services; and
2. develop users and procedure manuals and forms for taxpayer services.

### Component 2: Introduction of an Integrated VAT Management System

1. The NBR decided that each of the three tax types develops separate application software, rather than an integrated revenue management system for all taxes. In March 4th, 2013, a decision was taken by the MoF for purchasing a configurable web-based Commercial off the Shelf (COTS) VAT administration system, instead of developing it in-house. Supporting the long term agenda of harmonization and avoiding further enhancement of silos, the VAT and Income Tax applications would share a common database platform “oracle”. The same platform along with the new unique TIN as the single identifier for all taxpayers would facilitate integration and harmonization between wings at the database level, subsequently “systems will talk to each other”. The system will be based on a centralized platform to which all VAT tax offices as well as Contact, Data and Processing Centers will have access. The Invitation for Tender (IFT), which has been written with strong support of technical advisory inputs provided by a technical team from the WB, IMF, and IFC, clearly stipulates the requirement from the potential vendors to use “oracle”. The COTS IT package will be approximately around US$18 million, close to the US$20 million ceiling for IT procurements under the PforR operational policies. There are several options that will be considered in the event that the actual value of the tender exceeds the threshold, such as (a) negotiating with the winning technical bid to remove any non-core requirements for the system; and (b) requesting an exception to the threshold. The tender is already underway with a view to signing a contract before end June 2014. The system will need to be implemented in stages commencing in January 2015 for registration modules and to be fully operational, including audit modules, by December 2015.
2. Component 2 provides for procurement and implementation of the Integrated VAT Management system based on COTS software and associated consulting services to support modernized tax administration operations in the NBR. The main sub-components and respective activities are:
3. *Sub-component 2.1: Integrated VAT Management System*. The integrated VAT Management System-COST must support VAT, turnover tax (for taxpayers below the VAT thresholds, excise tax (a tax on bank transactions and airline tickets), and a VAT Withholding tax (VAT remitted directly to the NBR by an agent rather than being paid to the sellers of VAT goods). It should support all core functional areas of the VAT administration including: case management; risk management, which would enable the most effective actions to take to resolve taxpayer compliance issues. The risk management engine should be used in a number of enforcement and compliance functions and generates risk profiles for taxpayers and for segments of taxpayer population; registration function; return processing; revenue accounting; revenue management; taxpayer current accounting; refunds and credit adjustments; enforcement including non-filing, debt management, audit, dispute to assessments; taxpayer inquiry, document certification and management. The system should use a browser based interface for all user access to its operational functions (i.e. tax officials using the system, taxpayers accessing it via the portal). The user interface will be in Bangla and where feasible English. System interfaces shall be implemented such that each of the systems can be independently upgraded and/or replaced without changes to the other system or to the core ICT architecture at NBR. The system should also support a common external face to taxpayers where they can register, file and pay.
4. *The main activities will include, but not be limited to*: develop functional specifications for VAT tax administration software; prepare and issue IFT for VAT tax administration software; associated consulting services for tender selection process; vendor configure/customize system; develop data migration strategy; system test phase registration module; implement registration module; system test phase returns, payment, and refund processing, taxpayer and revenue account; implement returns, payment, and refund processing, taxpayer and revenue account modules; implement arrears and non- filling enforcement modules; system test phase audit module; implement audit module.
5. *Sub*-*component 2.2: Establishing a Data Center.* A Central Data Center is a specialized facility that stores taxpayer data and house the servers on which various software applications run to allow the data to be assessed. This unit will be the central repository for all of electronic records of each VAT taxpayers. Taxpayer data stored at this center include registration, payment, and VAT return information. The unit will have the responsibility for archiving data, system maintenance activities, and ensuring business disaster procedures are in place.
6. *The main activities will include, but not be limited to*: implement selected Data Center Supplier, and make the Data Center operational.
7. *Sub-component 2.3: Establishing a Centralized Processing Center.* This unit will handle the increased number of electronic and paper submissions. It will enhance efficiency gains in processing, provide much greater flexibility in meeting seasonal demands, support upwards scalability as more forms are filed electronically, and increase the control and security over the receipts and processing of key administrative documents. The Center will be organized into units based on the following functions, including: (a) receiving, keying, and processing scanned and faxed tax returns and registration applications; (b) resolving errors; (c) reconciling and adjusting liability and payment posting on taxpayer account; and (d) reconciling Treasury tax receipts against payment posting on taxpayer accounts.
8. *The main activities will include, but not be limited to:* develop and process center functional specifications; prepare and issue Processing Center request for tender; tender selection process; processing center established and begins to process registration forms.
9. *Sub-component 2.4: Establishing a Contact Center:* Modern compliance management uses a combination of taxpayer service and compliance enforcement strategies to promote a high level of voluntary compliance. This subcomponent aims to establish the service related elements of the compliance management strategy and will contribute to reducing compliance costs for taxpayers. The Contact Center will be responsible for responding to taxpayers’ queries (the center will receive queries by phone, letter or e-mail) on the status of their accounts and the application of the law; get taxpayers feedback; gather taxpayers complaints, set them to responsible officers in the concerned department for addressing grievances, and disclose them to the public. With the introduction of the new VAT law, the center will be an essential vehicle for handling the expected significant increase in taxpayer demand for advice and assistance on the new VAT legislation.
10. *The main activities will include, but not be limited to:* develop contact center functional specifications; prepare and issue Contact Center request for tender; tender selection process; establish Contact Center and make it operational.
11. *Sub-component 2.5. Establish a Data Network to enable VAT staff to have access to the IT tax administration system through the computer terminal. The main activities will include but not limited to:* develop functional specifications for data network*;* prepare and issue RFP; tender selection process; install data network, and ensure it is operational.
12. *Sub*-*component 2.6. Desktop hardware and software and local and data center servers. The main activities will include but not limited to:* develop functional specifications for desktop hardware and software and local and data center;prepare and issue RFP; tender selection process; install desktop hardware and software, and ensure it is operational.

### Component 3: Institutional Strengthening and Capacity Building

1. This component consists of VAT wing reorganization along function lines and staff training to enable staff to utilize the new integrated VAT system and business processes. All NBR VAT Wing staff will be provided with adequate training and support to enable them to undertake their roles given the changes to the law and rules to the NBR VAT Wing organizational structure, as a result of the administrative processes and information technology that will be put in place as part of the Program.
2. *The main activities will include, but not be limited to:* review all the current VAT statutory regulatory orders, standing rules, and general order, and draft accordingly new administrative procedures to ensure consistency with the new law; calculate number of taxpayers and expected workloads under the new VAT law; determine broad approach to processing expected workload; design new organizational structure for the VAT Wing along functional lines-high level design and detailed design of the organizational structure; estimate staff numbers and requirements by function and level; develop an accommodation strategy and plan for the ongoing operation of the VAT; develop a staffing plan to ensure adequate sequencing of hiring and training of both transfers and new hires as well as clarify the roles and responsibilities between the existing staff and new hires; develop a comprehensive timetable for the organizational arrangements of the VAT Wing; develop a comprehensive training and capacity building program (specifying when course materials, training rooms and trainers will be needed and align them to the training timetable); delivery of a number of specialized technical training programs for all VAT core business processes, e.g. registration, return processing, tax payments, taxpayer accounting and tax refunds; tax audit; collection and enforcement; and dispute resolution; induction and managerial training targeting managers at all levels, aiming to improve their capacities to manage and fulfill the role of change agent. The training program will go beyond core business processes and deliver training on critical areas such as good performance, meritocracy, ethical behaviors, customer support culture, communication and other soft skills. The training program will also target the staff of the processing center, Data, and Contact centers. The program will also include capacity building activities aiming at enhancing the analytical capacity of the VAT staff wing on tax gap modeling and analysis. Considering the fact that, VAT gap analysis and modeling is a complex exercise which requires adequate capacity, the program team will be supported from external consultancy upon request. As the NBR is integrating the service approach in its core business processes, a taxpayer satisfaction survey will also be conducted.

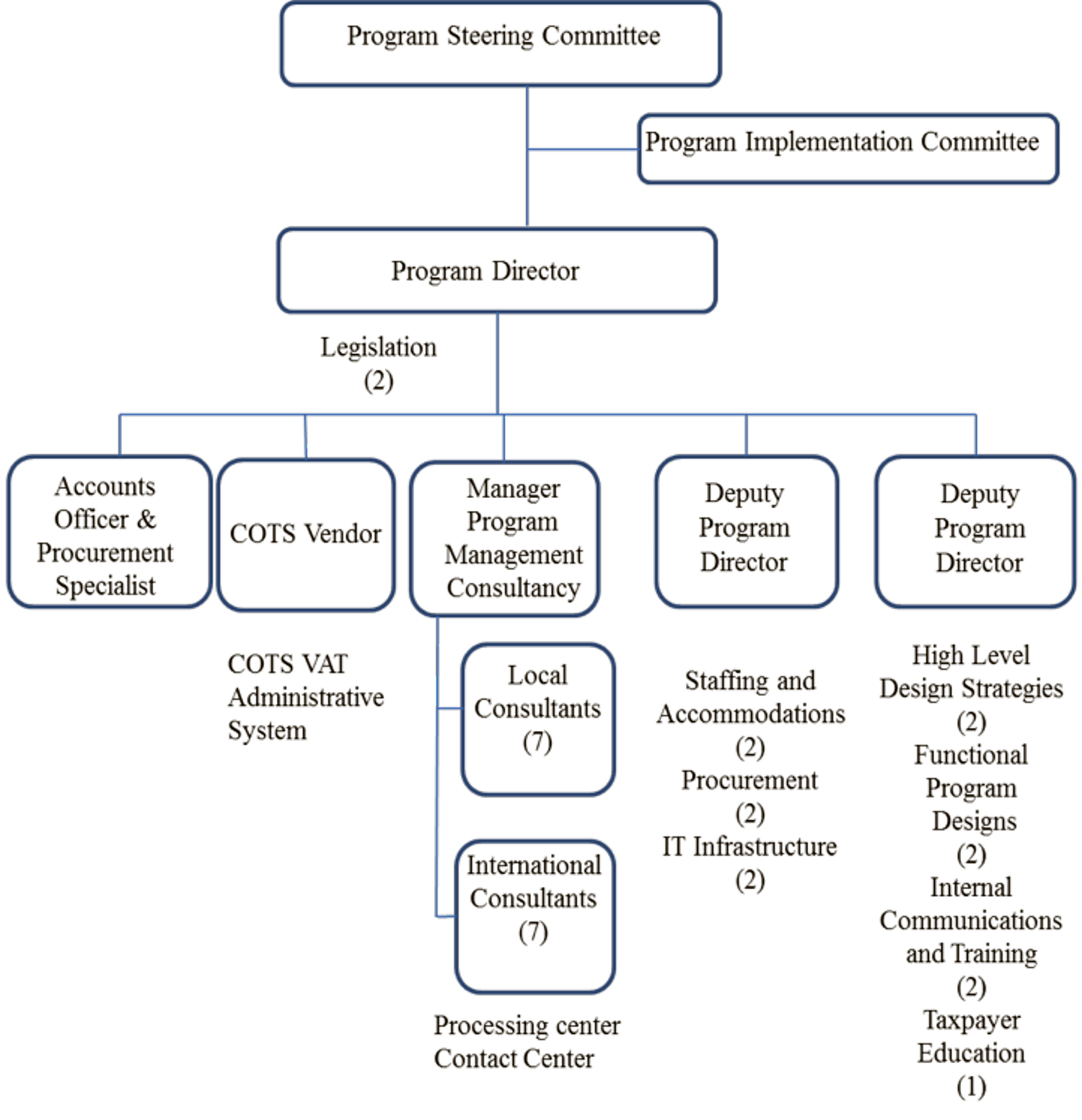
### Component 4: Program Management

1. This component consists of two parts. *Part One* addresses the challenge of properly managing the implementation of the program and supports expert advice on program management, IT, procurement, Financial Management and disbursement. *Part Two* supports a change management and a comprehensive taxpayer communication and education program to build internal and external support for the reform.
2. *Sub-component 4.1: Program coordination and administration.* Tax administration modernization reform is a complex undertaking that requires significant expertise both in program management and in technical content. To ensure effective implementation of components, all activities will need to be carefully planned and coordinated to ensure optimal effectiveness. Likewise, timely and efficient overall program management expertise and procurement experience will be required to ensure effective and transparent program implementation. Additionally, establishing monitoring and evaluation mechanism and reporting on results and achievement of objectives will be critical. This program will provide advisory services to the VAT Wing staff, as well as for oversight and review of the IT component and subcomponents, and the necessary office infrastructure to assist the Program Implementation Unit in implementing all aspects of the program. Additionally, the PIU will be supported by a Program Management Consultancy Firm, which will mitigate the skills and knowledge gap in business transformation and the definition of business requirements within the PIU.
3. *The main activities will include, but not be limited to:* provide advisors for program implementation and monitoring and evaluation; short-term consultants in the areas of FM, monitoring and evaluation, procurement and disbursement and auditing; workstations for the PIU staff; office equipment and vehicle for conducting the business of the PIU; prepare the ToR for and contract the Program Management Consultancy Firm.
4. *Sub-Component 4.2: Change management and a comprehensive taxpayer communication and education program.* Bangladesh is characterized by low tax morale, unfamiliarity with the overall tax reform process, and resistance to change. Establishing an Integrated VAT Management System will dramatically change the way in which the tax administration of Bangladesh conducts its management and operations, as well as the way it relates to taxpayers and other stakeholders. Support for the reform process from staff, external stakeholders, and the public at large is essential for the program to be able to implement the changes envisaged and achieve the results expected. Consequently, it is critical to develop and implement a robust behavioral change communication strategy along with a public education campaign. This communication and public education campaign, using multiple communication channels including new media (social media, mobile) and mass media, should take a two-pronged approach: (i) firstly, behavioral change communication to promote compliance, electronic registration, etc.; and (ii) advocacy to sustain the policy dialogue. Generating broad-based consensus and a continued policy dialogue through a creative communication program will help to continue the reform efforts irrespective of the political situation.
5. *The main activities under the change management will include but not limited to:* develop and implement an appropriate staff communication and change management strategy for managing organizational change at all levels of the tax administration particularly VAT Wing; staff consultation and engagement activities; design and deliver training on change management;
6. *The main activities under the taxpayer communication and education program will include but not limited to:* develop and implement a comprehensive taxpayer education program and communication campaign to raise awareness and inform the VAT stakeholders and public at large about the VAT reform and potential impact of proposed changes; organize regular consultations, workshops, and presentations to the private sector, which is unfamiliar with and opposes the overall tax reform process; public information campaign by using government TV and other media advertisements; advertise requirements to register for VAT, bookkeeping requirements and invoicing regulation, and issue registration packs (guide and forms) to expected registrants; provide advisory services to initial registrants; draft explanatory materials; registration guide to support the registration process, general guidance booklet to explain the VAT in details; draft a set of technical guidelines to provide assistance to taxpayers in how to apply the new VAT Law and rules to specific business situations and in relation to specific industries; industry specific pamphlets, briefings for targeted taxpayers to inform them on the expected impact of the VAT.
7. *The component will also include increased transparency.* The activities will include a review of the compliance of the VAT Wing with the proactive disclosure rules of the Right to Information Act, 2009 and the preparation and implementation plan to reach full compliance. The VAT Wing will also increase the proactive disclosure of performance information including but not limited to (a) regular disclosure of VAT tax collection; (b) results of tax payer satisfaction surveys; (c) contact center information on handling calls and dealing with complaints*.*

## Institutional and Implementation Arrangements

1. **The Program is to be implemented by the VAT Wing of the National Board of Revenue.** The VIP will be spearheaded by the VAT program implementation team led by the Project Director who will be the Program focal point and is the NBR Board Member for VAT policy from the VAT Wing. The Project Director reports to the Program Steering Committee. The 15-member implementation team includes a program implementation unit (PIU), which includes 4 additional program staff including two deputy program directors and a government accountant, who are seconded to the program implementation team from elsewhere in government to bolster the team’s capacity to specifically manage the program and report on program expenditures. The PIU will be responsible for overseeing program implementation, and overall program coordination and management. The Project Director will report to the Program Steering Committee as established for the VAT program, which is chaired by the Chairman.
2. **The ERD will provide overall program coordination with the World Bank, and have principal responsibility for engaging the independent verification entity.** The ERD Office within the Ministry of Finance is responsible for coordinating development partner financed programs. ERD has appointed a Program Director (responsible for World Bank projects) and a small unit to oversee the implementation of the Program. The ERD will provide guidance to the implementing agency as the Program is implemented, and will provide support to resolve potential issues related to the release of funds by the Ministry of Finance, as well as overall harmonization as required. During preparation the Cabinet Division received a small Project Preparation Advance (PPA) to develop the program and investigate a larger program of support for e-governance and e-services in several ministries. During initial stages of preparation of the Program, when the potential scope included multiple implementing agencies, the Cabinet Division played a critical role at this stage. The Advance was used to hire consultants to help the potential implementing agencies strengthen their programs and develop results frameworks and monitoring and evaluation systems. Critically the Advance was used to support the NBR in the finalization of their VAT improvement program documentation that was approved by the Executive Committee, National Economic Council on October 8, 2013.[[11]](#footnote-11)
3. **The oversight of the VIP is through a Program Steering Committee headed by the Chairman, NBR and a Program Implementation Committee.** The Program Steering Committee (PSC) will have the authority to make all decisions that affect the implementation of the new VAT Law. The PSC consisting of ten members[[12]](#footnote-12) will meet at least quarterly to review the reform progress unless there is a need to convene immediate meetings. For the program, the PSC will assume the following responsibilities: (i) provide guidance on policy issues to ensure a smooth and timely implementation of the program; (ii) approve annual work and procurement plans, any major variation to the plans, and allocate funds accordingly; (iii) provide direction, guidance, and solutions on critical issues related to program implementation; (iv) offer solutions to inter-ministerial problems related to program implementation; (v) supervise and monitor the activities of the Program Implementation Unit; (vi) ensure timely monitoring and evaluation reports needed for the disbursement under the World Bank’s Program for Result; and (vii) work in close collaboration with the IMF and the Economic Relations Division to ensure third party independent monitoring for achieved results.
4. **A Program Implementation Committee (PIC), chaired by the Member (VAT: Enforcement and IT) of NBR and consisting of eight officers not below the rank of Deputy Secretary/Deputy Chief from key agencies was also established**[[13]](#footnote-13). The PIC will be responsible for overseeing program activities, monitoring procurement, and taking action as needed to ensure successful implementation of the program.
5. **The Program Implementation Unit will be supported by a Program Management Consultancy Firm (PMCF).** The PMCF will consist of a manger, who will work closely with and report to the PIU’s Director, and 14 experts-7 international consultants and 7 local consultants. The PMCF will mitigate the skills and knowledge gap in business transformation and the definition of business requirements within the PIU. According to the VAT implementation plan, the program management consultancy firm is planned to be on board and start working on June, 2014 (one month after signing the contract).
6. **The oversight of the VAT Program will be strengthened using the following mechanisms**: (a) a Program Implementation Unit within the team with responsibility for overall management and coordination and reporting, including financial reporting; (b) bi-annual implementation reviews (program progress reports will be prepared as per an agreed reporting template) of the VIP; (c) bi-annual independent, third party verification of DLIs hired by the ERD; and (d) IMF reports produced during IMF technical and program supervision missions.
7. **The VAT improvement program will be implemented in coordination with other initiatives funded by development partners in this area, and will use the pre-existing donor harmonization architecture.** The VAT wing is responsible for implementing the new VAT, and there is a group of tax administration development partners who are coordinated to support with complementary technical assistance including IFC. The implementation team has access to an IMF resident adviser and a series of short-term IMF advisory inputs. The IFC Bangladesh Investment Climate Fund is also providing targeted technical assistance in key areas, including: designing the new VAT administration program regarding organizational and structural issues; developing a number of key strategies and plans- staffing strategy; staff communication and change management strategy; overall training and learning support strategy; taxpayer education and communication plan; detailed business requirements, program, procedures, and training manual for the registration process, taxpayer services, contact center, and field advisory visit processes. On a regular basis the IFC will also support conducting the Taxpayer Compliance Cost Survey.
8. The institutional and implementation arrangements for the program are explained in Figure 3.

Figure 3: The Institutional and Implementation Arrangements



# Program Expenditure Framework

1. **The program expenditure framework amounts to US$70 million for the VAT Improvement Program and US$3 million for the verification activities of the Economic Relations Division over FY 2014-19. IDA resources for the Program under the proposed operation will be $60 million**. In October 2013, the GoB approved the placement of the VAT modernization program in the Annual Development Program (ADP) budget, making it eligible to receive funds from both domestic budgetary and donor sources. This approval shows government’s commitment to reform tax administration and its financial contribution of US$13 million is predictable and guaranteed. In case the DLI is not achieved, and hence the disbursement for the WB funds not triggered, the Government of Bangladesh will provide the funds needed to carry out the activities as outlined in the program.
2. **The proposed amount of program financing is adequate to ensure maintenance of financial sustainability, which is essential for the alignment of the GoB policy objectives, selected priorities and intended program objectives.** Program funding will be included in the NBR annual budget and all funding (regardless of the source) will flow through distinct budget line items. Program funds will be used to cover recurrent expenditures and development expenditures (individual and firm consultancies and goods) related to program activities. The Finance Department of the NBR will track and report the source of funds in its budget (as required by law and financial management rules).
3. **The Government of Bangladesh’s contribution of US$ 13 million is estimated to be approximately 13.0 percent of the NBR’s total budget for the period 2014-2017.** The budget of the Internal Resource Division (IRD) for 2012-2013 is Taka 11,830 million or equivalent to US$ 148 million of which Taka 5,540 million or equivalent to US$ 69.25 million allocated to the NBR. As set forth in Table 7, which outlines the medium term expenditure framework (2013-2017), the IRD budget will increase by 44 percent to reach the level of Taka 17,064 million or equivalent to US$ 213.3 million in 2017. NBR budget is expected to increase to Taka 7,970 million or equivalent to US$99.62 million by 2017.

Table 6: Expenditure Framework, Consolidated Program Expenditures, US$ million 2014-2019

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Funder** | **Classification** | | **Sub-category** | **2012/13** | **2013/14** | **2014/15** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **Total** |
| **GoB** | Capital | | Furniture |  |  | 2.79 |  |  |  |  | 2.79 |
|  |  | | IT hardware |  |  | 0.17 |  |  |  |  | 0.17 |
|  |  | | Vehicles |  | 0.18 | 0.01 | 0.01 | 0.01 | 0.01 |  | 0.24 |
|  | Goods and Services | | Goods |  | 0.00 | 4.20 | 0.70 | 0.26 | 0.26 |  | 5.43 |
|  |  | | Office Refurbishment |  |  | 3.09 |  |  |  |  | 3.09 |
|  | Contingency | | Price |  | 0.01 | 0.82 | 0.06 | 0.02 | 0.02 |  | 0.94 |
|  |  | | Physical |  | 0.00 | 0.21 | 0.01 | 0.01 | 0.01 |  | 0.23 |
| **Subtotal** | |  |  |  | **0.21** | **11.29** | **0.79** | **0.30** | **0.30** |  | **12.89** |
| **IDA** | Capital | | Furniture |  |  | 0.00 |  |  |  |  | 0.00 |
|  |  | | Generators |  |  | 1.67 |  |  |  |  | 1.67 |
|  |  | | IT hardware |  |  | 3.97 | 2.32 | 0.75 | 0.33 |  | 7.38 |
|  |  | | IT software |  | 2.70 | 13.31 | 2.93 | 0.05 |  |  | 18.98 |
|  | Goods and Services | | Consulting |  | 0.57 | 2.29 | 1.14 |  |  |  | 4.00 |
|  |  | | Other goods |  |  | 0.91 | 0.10 |  |  |  | 1.01 |
|  |  | | IT services |  | 1.50 | 3.65 | 2.86 | 2.86 | 2.86 |  | 13.71 |
|  |  | | Training |  | 0.50 | 4.25 | 0.25 |  |  |  | 5.00 |
|  | Contingency | | Price |  | 0.42 | 2.40 | 0.77 | 0.29 | 0.25 |  | 4.14 |
|  |  | | Physical |  | 0.11 | 0.60 | 0.19 | 0.07 | 0.06 |  | 1.04 |
| **Subtotal** | |  |  |  | **5.80** | **33.05** | **10.56** | **4.01** | **3.50** |  | **56.93** |
| **NBR expenditures total** | | |  |  | **6.00** | **44.34** | **11.35** | **4.32** | **3.81** |  | **69.82** |
| **ERD and ACC expenditures** | | |  |  |  | **0.95** | **0.500** | **0.500** | **0.50** | **0.50** | **2.95** |
| **Cabinet Division PPA** | | |  | **0.05** |  |  |  |  |  |  | **0.05** |
| **Total** | | |  | **0.05** | **6.00** | **45.29** | **11.85** | **4.82** | **4.31** | **0.5** | **72.82** |

Table 7: Expenditure Framework of the Internal Resource Division

**(Amount rounded to million)**



# Result Framework and Monitoring and Evaluation

1. The results framework provided below shows the milestones alongside the results chain presented in Figure 2. The results are attributable to (a) automation of processes, the Integrated VAT Management System being introduced by the program, and (b) the administration of the new VAT law. The new VAT Law is presently scheduled to enter into effect on July 1st, 2015 (i.e. FY15/16); consequently, prior to the introduction of the new law, the expected results will be restricted to actions related only to progress made towards the VAT implementation plan. The baseline for the result indicators will be established at the end of FY15/16 through a mid-term review, and target values will be established at the beginning of FY16/17. The rationale for this decision is twofold: (i) the new VAT law differs so widely from the old VAT law that the value of using the performance of the old law as the baseline for assessing the new law would be questionable; (ii) the shortcomings in the NBR’s existing information systems would create significant challenges for establishing the baseline until the new integrated VAT management system is deployed in FY15/16.
2. The PDO indicator for VAT revenues will be measured using the data collected for reporting to Ministry of Finance and validated by the IMF. The baseline data has been provided by the NBR and is consistent with the IMF data. Technical support to review the measure and methodology will be conducted in the first year of implementation. The need to understand the impact on the VAT to GDP measure from (a) administrative improvements under the VIP (b) the policy changes under the new VAT law and (c) the external economic environment will be reviewed and the measure of VAT to GDP changes disaggregated into these components. The indicator of RTI compliance is based on a review of the information available on the NBR and VAT websites and a comparison with the legal requirements in the RTI Act. The initial baseline assessment is attached at Annex 2.
3. A comprehensive results framework is shown in Table 8. The intermediate results of the VAT program are as follows:
4. **The VAT Implementation Plan remains on track.** The VAT Implementation Plan has been endorsed by the Minister of Finance. This DLI is intended to disburse against specific annual results, which have been selected to be aligned with the milestones and benchmarks[[14]](#footnote-14) that are supported under the IMF program. The selections of the annual results in this DLI are aligned to the IMF’s ECF program and timetable. Given the complexity of the program, the weak capacity of the implementing agency and the lack of a reliable database on outputs, the process indicator is necessary to ensure that the VAT implementation plan remains on track, and that the new VAT Law comes into effect on Jul 1, 2015. The milestones are also focused on the key procurements that need to be undertaken quickly–the VAT administration software and the project management consultancy for the entire program to stay on track. Targets are broken down into six phases:
5. *Phase 1 plan* (FY13/14) includes: (i) contract signed with COTS vendor (selected through agreed procurement processes); and (ii) contract signed with program management consultancy vendor (selected through agreed procurement process). Regarding the COTS, the procurement processes should follow these measures in order for the DLI to be considered met. First, the invitation for Tender (IFT) should be written with support of technical advisory inputs provided by a technical team from the WB, IMF, and IFC. Second, the bidding documents should be based on the WB’s own ICT bidding documents. Third, the tender Evaluation Committee should consist of four independent members: in addition to the representatives from BUET and BCC, two independent international experts should be nominated, one on international tax administration system specialist and one on international ICT procurement specialist.
6. *Phase 2 plan* (FY14/15) includes: (i) at least 40,000 taxpayers are registered in the COTS system by June 2015; and (ii) contracts signed for a) data center, b) contact center, c) processing center, d) other IT infrastructure (network and hardware) (selected through agreed procurement process)
7. *Phase 3 plan* (FY15/16)includes: (i) at least 50,000 VAT returns are processed by the VAT Wing per month; and (ii) at least 50,000 VAT payments are processed by the VAT Wing per month.
8. *Phase 4 plan* (FY16/17)includes: (i) at least 500 audit staff trained on COTS audit modules; (ii) at least 80 percent of refunds processed within 3 months.
9. *Phase 5 plan* (FY17/18) includes: (i) at least 60,000 VAT returns are processed by VAT Wing per month; (ii) at least 80 percent of refunds processed within 2 months.
10. *Phase 6 plan* (FY18/19) includes: (i) at least 60,000 VAT returns are processed by VAT Wing per month; (ii) at least 80 percent of refunds processed within 2 months.
11. Each phase consists of more than one target. Achieving one of the targets would trigger disbursement corresponding to the amount of disbursement assigned to that specific target.
12. **There is an increase in the number of new registered active VAT taxpayers and a reduction in stop filers.** This effectiveness indicator is usually affected by two factors that work in opposite directions: on one hand, the number of registrants may be reduced in case the new VAT law raises registration threshold; and on the other hand is supposed to rise as a result of implementing the new strategy to detect non registration. As the new VAT law stipulates no change in the registration threshold of Taka 8 million, the indicator will be affected only by the second factor. Introduction of the new VAT system will be accompanied with a comprehensive taxpayer communication and education program in order to raise awareness and inform the VAT taxpayers and public at large about the VAT reform and potential impact of the proposed change. Furthermore, tax officials will conduct registration checks and visit businesses to increase the number of registered tax filers. Hence, it is expected an increase in the number of new registered active taxpayers seen against the baseline to be established during the mid-term review, corresponding to the implementation of the new VAT law. With the new VAT administrative system, and establishment of the processing center, non-filing will be automatically identified for each tax period and consistent follow up actions will be applied. Basic risk-profiling will be used to prioritize the assignment of non-filer cases, i.e. persistent non-filers may be allocated a higher priority to reduce non-filers. Altogether, they would contribute towards a reduction in stop filers.
13. **Value of new VAT e-payments from the large taxpayer units (LTU) increases and coverage of e-services widens**. Introduction of the integrated VAT management system based on COTS would play a central role in the modernization of VAT Wing, since it will allow for the standardization of procedures and provision of electronic services, leading to: less room for discretionary errors; a reduction in processing time; and improvements in the quality, reliability, and accuracy of information. With the development of new electronic services, i.e. e-filing and e-payment, an increase in the proportion of VAT taxpayers who use e-filing is anticipated. Regarding e-payment, it is anticipated an increase in both the percent of Large Taxpayers who pay online and the amount of e-payment.
14. **There is a decrease in the average time to process and issue tax refunds.** VAT refunds will be managed and monitored centrally by the new processing center in order to capture and identify all VAT refunds. Refund management would be driven by automated risk-based system, which will apply appropriate risk parameters for refund processing. With the new automated risk-based system, the time to process and issue refunds should diminish.
15. **There will be an increase in the “hit rate” of tax audits-percentage of tax audits resulting in additional tax assessments (in a specific period of time).** The new VAT will provide for an effective audit program to ensure that non-compliance is detected and corrected. The VAT audit program will be delivered through a national VAT plan which would aim at expanding the coverage, i.e. increase in the number of taxpayers who are subject to audit; selecting audit cases using a fully risk-based automated system; improving audit methods by increasing the number of auditors, and enhancing management system for monitoring audit results. Consequently, an increase in the “hit rate” of tax audits is anticipated.
16. **Reduction in taxpayer cost for complying with the VAT.** A technical mission is planned early in the implementation of the program to agree a methodology for measuring compliance costs and the compliance gap.
17. **Greater transparency:** As part of the drive for improved governance, the DLI will include process indicators for improved information in the public domain on performance of (a) tax collected (b) calls handled and dealt with and (c) taxpayer satisfaction.
18. **Overall taxpayer satisfaction with VAT administration.** This will be based on the taxpayer satisfaction surveys, initially to be supported by the IFC-administered trust fund.
19. **Improved fiduciary environment.** Selective process results for good financial management and procurement practices will also be a DLI to improve use of e-procurement, compliance with public procurement rules and responsiveness to audit reports.

Table 8: Results Framework

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Results Indicators** | **DLI** | **Unit of measure** | **Baseline 2012-13** | **Target Values** | | | | | | | |  | **Freq-uency** | **Source** | **Data Collection** |
| **Year 1** | **Year 2** | | **Year 3** | | **Year 4** | | **Year 5** | **Year 6** |
| **PDO Indicator**. VAT Tax-GDP Ratio /1 |  | % | 3.7 | 3.7 | 3.7 | | 4.1 | | 4.3 | | 4.4 | 4.7 | Annual | MoF | NBR |
| Compliance with the availability and usability of information listed in the RTI rules and regulations |  | % | 75 |  | 80 | |  | | 90 | |  | 100 | Every two years | NBR | NBR |
| **Intermediate Results Indicator 1**: VAT Implementation Plan on Track /2 | √ | Process | VAT Implementation Plan approved by Minister of Finance | 1.1.1  Contract signed with COTS vendor (selected through agreed procurement process). | 1.1.2  At least 40,000 taxpayers are registered in the COTS system by June 2015 | | 1.1.3  At least 50,000 VAT returns are processed by VAT Wing per month | | 1.1.4  At least 500 audit staff trained on COTS audit modules | | 1.1.5  At least 60,000 VAT returns are processed by VAT Wing per month | 1.1.6  At least 60,000 VAT returns are processed by VAT Wing per month | Bi-annual | NBR/ IMF progress reports | NBR |
| 1.2.1  Contract signed with Project Management Consultancy vendor (selected through agreed procurement process). | 1.2.2  Contracts signed for (a) data center, (b) contact center, (c) processing center and (d) other IT infrastructure (network and hardware) | | 1.2.3  At least 50,000 VAT payments are processed per month by VAT Wing | | 1.2.4  At least 80 percent of refunds processed within 3 months. | | 1.2.5  At least 80 percent of refunds processed within 2 months. | 1.2.6  At least 80 percent of refunds processed within 2 months. | Bi-annual | NBR/  IMF progress reports | NBR |
| **Intermediate Results Indicator 2**: New registered active VAT taxpayers | √ | Number |  |  |  | | Baseline established for number of VAT active taxpayers under new Law | | Baseline +15,000 | | Baseline + 30,000 | Baseline +30,000 | Bi-annual | NBR's automated registration system | NBR |
| **Intermediate Results Indicator 3**: VAT e-payment |  | BDT millions (real) |  |  |  | | Baseline established for number of VAT active taxpayers under new Law | | Baseline + 10 percent | | Baseline + 15 percent | Baseline + 20 percent | Annual | NBR's automated payment system | NBR |
| **Intermediate Results Indicator 4**: VAT stop filers |  | Number |  |  |  | | Baseline established for number of VAT active taxpayers under new Law | | Baseline - 10 percent | | Baseline - 15 percent | Baseline -20 percent | Annual | NBR's automated data center | NBR |
| **Intermediate Results Indicator 5:** Taxpayers who file on-line |  | Number |  |  |  | | Baseline established for number of VAT active on-line taxpayers under new Law | | Baseline + 4,000 | | Baseline + 10,000 | Baseline + 10,000 | Bi-annual | NBR's automated filing system | NBR |
| **Intermediate Results Indicator 6:** VAT Large Taxpayers who pay on-line | √ | % of LTU organizations |  |  |  | | Baseline established for number of LTU VAT active taxpayers under new Law | | 10 percent of LTU taxpayers | | 20 percent of LTU taxpayers | 50 percent of LTU taxpayers | Bi-annual | NBR's automated payment system | NBR |
| **Intermediate Results Indicator 7**: Average time to process and issue tax refunds |  | Days |  |  |  | | Baseline established for number of VAT active taxpayers under new Law | | Baseline - 5 percent | | Baseline - 10 percent | Baseline - 15 percent | Annual | NBR's automated refund system | NBR |
| **Intermediate Results Indicator 8**: “Hit rate” of tax audits –percentage of tax audits resulting in additional tax assessments (in a year) |  | % |  |  |  | | Baseline established for number of VAT active taxpayers under new Law | | Baseline + 5 percent | | Baseline + 10 percent | Baseline + 15 percent | Annual | NBR's automated risk-based audit system | NBR |
| **Intermediate Results Indicator 9:** Taxpayer costs for complying with VAT |  | US$/  BDT |  |  |  | | Baseline established. | | Baseline - 5 percent | | Baseline - 10 percent | Baseline -15 percent | Annual | NBR's system | NBR |
| **Intermediate results Indicator 10**. Greater transparency | √ | Process |  | Tax collection disclosed  Baseline taxpayer satisfaction survey disclosed | Tax collection disclosed  Taxpayer satisfaction survey disclosed | | Tax collection disclosed  Processing and Contact center performance disclosed | | Tax collection disclosed  Taxpayer satisfaction disclosed  Processing and Contact center performance disclosed | | Tax collection disclosed  Processing and Contact center performance  disclosed | Tax collection disclosed  Taxpayer satisfaction disclosed  Processing and Contact center performance disclosed | Annual | NBR | NBR, ERD |
| **Intermediate results Indicator 11.** Overall taxpayer satisfaction with VAT administration /3 |  | % | tbc June 2014 |  | Contact center set up | | 50 | |  | | 69 | 75 | Annual | IFC  Contact center | IFC  NBR |
| **Intermediate Results Indicator 12**. Fiduciary actions on track | √ | Process |  | 6.1 25 percent of NCB contracts are done through e-GP  Submit quarterly fund utilization report to Finance Division and complete fund release processes after each quarter. | 50 percent of NCB contracts are done through e-GP  All significant audit objections resolved in 6 months  Submit quarterly fund utilization report to Finance Division and complete fund release processes after each quarter. | | 75 percent of NCB contracts are done through e-GP  All significant audit objections resolved in 6 months  Submit quarterly fund utilization report to Finance Division and complete fund release processes  after each quarter. | | 75 percent of NCB contracts are done through e-GP  All significant audit objections resolved in 6 months  Submit quarterly fund utilization report to Finance Division and complete fund release processes after each quarter. | | 75 percent of NCB contracts are done through e-GP  All significant audit objections resolved in 6 months  Submit quarterly fund utilization report to Finance Division and complete fund release processes after each quarter. | 75 percent of NCB contracts are done through e-GP  All significant audit objections resolved in 6 months  Submit quarterly fund utilization report to Finance Division and complete fund release processes after each quarter. | Annual | NBR, OCAGCPTU | ERD, NBR |
| Notes: 1/ VAT does not include turnover tax. Targets based on IMF projections years 1-3 and NBR projections years 4-6. | | | | | | | | | | | | |  |  |  |
| 2/ All international procurements above US$2 million to be done in accordance with the Program Action Plan. | | | | | | | | | | | |  |  |  |  |
| 3/ Year 3 target derived from 2013 taxpayer perception and compliance cost survey results indicator on “Overall Efficiency of NBR staff” | | | | | | | | | | | | | |  |  |
| 4/ active means registered and filing. | | | | | |  | |  | |  | |  |  |  |  |

Table 9: Disbursement Linked Indicator Table

| **Result** | |  | **Indicator** | | |
| --- | --- | --- | --- | --- | --- |
| **PDO:** To improve revenue mobilization and transparency | |  | VAT Tax-GDP ratio (in %)  Taxpayers satisfied with level of transparency (%) | | |
| **Intermediate Result** | **Disbursement Linked Indicator** | | | **Total Financing if DLI (US$ M)** | **As % of total program financing amount** |
| VAT Implementation Plan on track. | *DLI11 and 1.2:* Progress in specific actions | | | 33.0 | 55% |
| New registered active VAT taxpayers increase (thousands) | *DLI 2*: Number of new registered active VAT taxpayers | | | 7.0 | 12% |
| Facilitating Compliance by increasing the coverage of electronic services:   * Number of taxpayers who file on-line | *DLI 3*: Number of tax payers filing online | | | 6.0 | 10.% |
| Facilitating Compliance by increasing the coverage of electronic services:   * Percentage of large taxpayers who pay on-line | *DLI 4*: Percentage of large tax payers paying on line | | | 6.0 | 10% |
| Greater Transparency | *DLI 5:*Performance information disclosed | | | 3.0 | 5% |
| Fiduciary actions | *DLI6:* Key actions | | | 5.0 | 8% |
| **TOTAL** | | | | **60.0** | **100%** |

**Monitoring and Evaluation**

1. **The Program will require special monitoring arrangements for indicators related to the milestones in the development of and then the pace of deployment of the new Integrated VAT Management System.** Since the development of management systems is at the heart of this operation, many of the results indicators will be produced by these new systems once deployed. System-generated reports from headquarters will be able to identify for example: the number of tax payers; the percentage of taxpayers using electronic services as well as the volume of taxes collected electronically.
2. **The ERD is responsible for overall reporting to the World Bank on the program results and performance of the results framework and DLIs**. The NBR will be responsible for monitoring the results and preparing monitoring reports on progress against results twice a year and delivering these reports to the ERD. ERD is responsible for ensuring the reports are sufficient and are sent to the World Bank and as necessary for the DLIs, the verification entity. Twice a year is recommended so that there can be close and timely observation of whether there is a slowing of the pace of the reform, and since the plan is complex and fast-paced to allow for slippage within a fiscal year, but still achieve the disbursements. In the first year the World Bank will hire the independent third party verification entity to ensure timely verification and disbursement; and the terms of reference will be agreed with the government. The ERD will contract an independent third party auditor for the verification of all DLI results prior to disbursement for year 2 through to the end of the program. The Terms of Reference and the procurement process for engaging the independent third party will be agreed with the Bank. The independent third party auditor reports will be commissioned by the ERD and the reports will be shared with the ERD; who will send the reports to the World Bank, and the NBR and neither the Bank nor the Government can modify such reports except for factual errors. For disbursement purposes, the Bank will then review the reports and retains the right to make the final decision whether DLIs have been achieved or not.
3. **The ERD will also hire and support the third party in developing and implementing the verification protocols for the DLIs for years 2-6.** The program envisages building capacity of the ERD for this new function. This in turn will have then the potential to further develop a results-based focus to performance management in the public sector, as per its mandate.

# Program Economic Evaluation

## Rationale for Public provision

1. VAT improvement program focuses on services and processes within the existing tax administration system, which is wholly within the public domain. Tax collection is widely expected to be a public function, although in some cases, tax administrations outsource some of their functions to external providers. However, there is a broad consensus that strategic functions of core business processes of the tax administration such as taxpayer registration, tax audit or revenue arrears management should not be outsourced. The same applies to strategic or vital information for administering the tax system. As a result, outsourcing in the tax administration should be confined to supporting functions such as IT systems or specific arrangements regarding the provision of services to taxpayers such as data processing centers, data and contact-centers. Tax collection is therefore firmly belong to the public domain, and the rationale remains that in order to provide public goods, use fiscal policy to influence the economy and provide a level-playing field to stimulate the economy; the government sector should have responsibility for tax administration.

## Economic Impact of the Program

1. The economic analysis of the tax program provides a quantitative evaluation of the effects of the program on the economy as a whole and for which there are multiple dimensions. Quantifying many of these dimensions ultimately depends on availability and reliability of data; which prior to automation remains questionable. The economic analysis focuses on two main dimensions:
2. *Reduction in Administrative Costs of Collecting the VAT Tax*
3. The modernization of the tax administration should lead to lower costs per amount of revenue raised. This arises from streamlining and re-organizing the VAT Wing along functional lines, the better training of tax officials, the greater taxpayer compliance that results from the taxpayer education and communication campaign, the establishment of a processing data center with higher economies of scale in processing larger numbers of taxpayer accounts, and the establishment of a contact centers to improve accuracy of filing, plus streamlining and simplification of core business processes along standard international lines and the automation of those processes. Additionally, administering the new VAT law with fewer exemptions, easier procedures and rules to comply with, should also reduce the administrative costs. Total NBR administration collection costs[[15]](#footnote-15) currently average 1.708 percent of total VAT revenues (without the program), while the VAT administration collections costs average 0.47 percent of total VAT revenues (without the program).
4. As a result of efficiency gains generated by the program, these percentages would fall gradually. For the purpose of our analysis we make two assumptions: (i) base case scenario, total VAT administration collection costs drop by 30 percent, starting from year 5 of the program life; and (ii) low-case scenario, total VAT administration collections costs drop by 10 percent, starting from year 5 of the program life.
5. *Reduction in Compliance Costs for the Taxpayers.*
6. The compliance cost for taxpayers has been subject of many studies showing that these costs tend to be larger than the cost of administering the tax itself[[16]](#footnote-16). These costs include the costs incurred by taxpayers in meeting the requirements that they need to abide by under the tax law and revenue authorities, over and above the actual payment of tax. These are costs which would disappear if the tax was abolished[[17]](#footnote-17). More specifically, in addition to the fiscal burden of tax on business (their actual tax payments), the compliance burden is the real cost to businesses in terms of staff costs (time spent on tax compliance multiplied by the relevant wage rate or salary) and other expenses (e.g., buying tax software, hiring a tax specialist on an as-needed basis, driving to the tax office, and even paying bribes to tax officials.). Estimates of the compliance costs vary greatly by study, tax considered and by country, however several generalizations are valid:

* Tax compliance costs can be extremely regressive, a relatively minor burden for large businesses but extremely onerous for small firms. The World Bank Group has carried out a number of tax compliance cost surveys for businesses in developing countries in Africa, Asia, Latin America and the Middle East. While there has long been plenty of evidence of regressivity in tax compliance costs in the developed world, the Bank has documented extremely regressive patterns in the developing world, with small businesses incurring tax compliance costs of up to 15 percent or more of turnover.
* A large share of the compliance cost relates to wage costs for in house and outside advisors *(*working time spent by accountants and other staff on calculating taxes, preparing all reports, providing explanations to tax authorities, trips to tax offices, or outsourcing to tax preparers on retainer or fee-for-service basis);
* All studies suggest compliance costs are highly significant for the main central government taxes such as Personal Income Tax, Corporate Income Tax, and consumption taxes including VAT. Compliance costs are typically anywhere between 2 percent and 10 percent of the revenue of these taxes, and up to 2.5 percent of GDP. In one instance, (the Ukrainian Taxpayer Compliance Costs Survey carried out by the International Finance Cooperation) pointed out that the VAT compliance was the driver of high compliance costs. Taxpayers in Ukraine spend on average 650 hours per year to comply with VAT, compared to 280 hours per year for CIT, and 142 hours per year for PIT.
* Compliance costs are typically a multiple of the administrative costs.
* Compliance costs can be reduced by simplifying the tax system and making it more stable and predictable, by enhancing the accountability of tax officials, improving taxpayer services and increasing the take up ratio of electronic services (e-filing, e-registration, e-payment gateway, etc.) and establishing support centers (contact center), streamlining and modernizing the organization of the VAT collection, and automating core business processes.

120. For the purpose of our analysis, we make two assumptions: (i) base case scenario, the benefits derived from the saved compliance costs amount to 2 percent of the VAT revenues starting from year five of the program; and (ii) low-case scenario, the benefits derived from the saves compliance costs amount to 1 percent of the VAT revenues starting from year five of the program.

1. *Other benefits, which are difficult to be measured, though their economic effects could be significant. Consequently, the economic analysis might under estimate the actual benefits.*
2. These benefits include: *(a)* broadening the VAT tax base by facilitating compliance and reducing non-compliance; (b) increasing taxpayer satisfaction with services provided by the NBR; (c) reducing distortion of the VAT system due to enforcement of the new VAT law (the number of exempted goods have been substantially reduced under the new VAT law; the new VAT will apply to all sectors, etc.); (d) better investment climate as a result of establishing predictable, efficient, and enforceable VAT regime; (e) enhancing efficiency and performance of the NBR; (f) improving governance of the NBR by broadening and strengthening the accountability mechanisms to key stakeholders; increasing transparency of decision making and operations; improving the interaction and cooperation of the NBR with the private sector; improving compliance with laws and regulations in force; (g) overall good governance as establishing a “good” revenue administration is a vital contributor to good governance.

## World Bank Value Added

1. The WBG’s comparative advantage in addressing tax administration modernization reforms lies in four broad areas: First, the Bank has knowledge and expertise gained globally and customized locally. It has continually expanded and upgraded repository of best practice in development combining global implementation experience, research and learning, as well as the ability to mobilize and connect global knowledge and customize it to local conditions. Second, the Bank has convening power to bring together donors and international organizations. Third, the Bank has global presence and engagement in all developing regions. It has a global, local, and cross-sectoral presence with the competence to work with public and private sectors, and with middle-income and low-income countries in partnership with developed countries. The Bank has the permanent in-country presence required to offer sustained operational support for countries that need to develop their capacity to address tax administration modernization reforms.
2. Four, the Bank has extensive analytical and technical expertise in taxation, as one of the main providers of assistance for tax administration modernization reforms in developing countries, as demonstrated by the scope and increasing number of lending and non-lending operations[[18]](#footnote-18)*.* The Bank’s staff at both HQ and country offices have been at the forefront of providing support to developing countries in establishing effective, efficient, and equitable tax systems, as well as enhancing the capacities and capabilities of their tax administration. The Bank’s wide experience and close engagement with many client countries on continuing and long-term projects of comprehensive tax reform give it a unique experience base and perspective from which to contribute to tax reform agenda. Lessons learned from previous operations have been analyzed and incorporated in the design of the program. The NBR will benefit from this experience in the further development and implementation of its reform plan.
3. The Bank has supported Bangladesh’s tax modernization reform program through the Economic Management and Technical Assistance Program and the analytical work on Public Expenditure and Institutional Review, 2010.

## Results of the Economic Analysis

1. The economic analysis is based on the following assumptions, which have been used in other Bank tax administration modernization projects[[19]](#footnote-19).

* Tax administration costs tend to fall by 30% over the project period, and most likely to materialize at the end of the project;
* Taxpayer compliance costs tend to fall by 2% of tax revenue over project period.

1. **The economic analysis of the program is positive under several scenarios of administrative cost savings and cost of compliance improvements** (Table 10). The VAT Implementation plan has a high internal rate of return under several scenarios of the quantification of the benefits. The stream of benefits is quantified based on the reduction in administrative cost of collecting VAT taxes (between 10 and 30 percent) and the reduction in the compliance cost (between 1 and 2 percent of VAT revenues) to tax payers. The compliance cost savings drive the economic benefits, and based on international experience a compliance cost savings of around 2 percent of tax revenues can typically arise from domestic administrative reforms; in addition a 30 percent administrative cost saving adds to the estimated benefits. The economic Internal Rate of Return (IRR) based on a 30 percent VAT administrative cost saving and a compliance cost reduction of 2 percent of VAT tax revenues is estimated to be 78 percent, and the real economic Net Present Value (NPV) at 10 percent discount rate amounts to some US$430 million. Under a low-case scenario with assumptions, of a 10 percent VAT administrative cost saving and a 1 percent of VAT revenues compliance cost saving, the NPV is still positive at a 10 percent discount rate (see the Table 10 below). Consequently, the robust results of the economic analysis confirm that the program generates net wealth to Bangladesh and hence is welfare enhancing.

Table 10: Results of the Economic Analysis

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  | **Financial Returns (beyond project life)** |  |  |  |  |
| **Assumptions** | **Baseline (2012-2013)** | **Yr 1 (2013-2014)** | **Yr 2 (2014-2015)** | **Yr. 3 (2015-2016)** | **Yr 4 (2016-2017)** | **Yr 5 (2017-2018)** | **Yr 6 (2018-2019)** | **2020** | **2021** | **2022** | **2023** |
| Real GDP in $ USD (billion) | 116 | 122 | 130 | 139 | 149 | 159 | 170 | 182 | 194 | 208 | 222 |
| Assumed Real GDP growth rate (in %) |  | 5.8 | 6.4 | 7.0 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 | 6.9 |
| Tax revenue in $ US (bilion) | 12.1 | 12.7 | 13.6 | 14.5 | 15.5 | 16.6 | 17.7 | 19.0 | 20.3 | 21.7 | 23.2 |
| VAT to GDP % program targets | 3.7 | 3.7 | 3.91 | 4.1 | 4.3 | 4.4 | 4.7 | 4.46 | 4.46 | 4.46 | 4.46 |
| VAT revenues with program USD (million) | 4278 | 4526 | 5089 | 5695 | 6356 | 7018 | 7995 | 8111 | 8670 | 9268 | 9908 |
| **Project Benefits** |  |  |  |  |  |  |  |  |  |  |  |
| 1. **Reduction in administrative costs** |  |  |  |  |  |  |  |  |  |  |  |
| NBR Administrative costs without the project (in US mill) | 75.0 | 79.3 | 89.2 | 99.9 | 111.4 | 123.0 | 140.2 | 142.2 | 152.0 | 162.5 | 173.7 |
| NBR Administrative costs with the project (in US mill) | 75.0 | 79.3 | 89.2 | 99.9 | 111.4 | 86.1 | 98.1 | 99.5 | 106.4 | 113.7 | 121.6 |
| NBR Admin cost benefits/savings USD million | - | - | - | - | - | 36.9 | 42.1 | 42.7 | 45.6 | 48.7 | 52.1 |
| VAT admin costs without the project | 22.9 | 24.2 | 27.2 | 30.5 | 34.0 | 37.6 | 42.8 | 43.4 | 46.4 | 49.6 | 53.0 |
| VAT admin costs with the project | 22.9 | 24.2 | 27.2 | 30.5 | 34.0 | 26.3 | 30.0 | 30.4 | 32.5 | 34.7 | 37.1 |
| **VAT admin cost benefits/savings USD million** | - | - | - | - | - | 11.3 | 12.8 | 13.0 | 13.9 | 14.9 | 15.9 |
| **2. Reduction in compliance costs** |  |  |  |  |  |  |  |  |  |  |  |
| Assumed reduction in compliance costs: | 0 | 0 | 0 | 0.0 | 0.0 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 | 0.02 |
| Compliance costs savings/benefits |  |  |  |  |  | 140.4 | 159.9 | 162.2 | 173.4 | 185.4 | 198.2 |
| Total Savings due to EOGP (in mill US) with NBR admin savings | - | - | - | - | - | 177.27 | 201.96 | 204.87 | 219.01 | 234.12 | 250.27 |
| **Total Savings due to Program (in mill US) with VAT admin savings** | - | - | - | - | - | 151.62 | 172.74 | 175.23 | 187.32 | 200.25 | 214.07 |
| **Project costs** |  |  |  |  |  |  |  |  |  |  |  |
| Investment (IDA and Government) | 0.05 | 6.00 | 45.29 | 11.85 | 4.82 | 4.31 | 0.50 |  | - | - | - |
| Operating and maintenance costs | - | - | - | - | - | - | 0.30 | 0.30 | 0.30 | 0.30 | 0.30 |
| Total Costs USD million | 0.05 | 6.00 | 45.29 | 11.85 | 4.82 | 4.31 | 0.80 | 0.30 | 0.30 | 0.30 | 0.30 |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Economic Net benefits (NBR admin)(undiscounted)** | (0.05) | (6.00) | (45.29) | (11.85) | (4.82) | 172.96 | 201.16 | 204.57 | 218.71 | 233.82 | 249.97 |
| **Economic Net Benefits VAT admin (undiscounted)** | (0.05) | (6.00) | (45.29) | (11.85) | (4.82) | 147.31 | 171.94 | 174.93 | 187.02 | 199.95 | 213.77 |
| **Economic NPV @10 discount rate NBR admin** | **(0.05)** | **(5.45)** | **(37.43)** | **(8.90)** | **(3.29)** | **107.39** | **113.55** | **104.98** | **102.03** | **99.16** | **96.37** |
| Economic NPV @10 discount rate VAT admin | **(0.05)** | **(5.45)** | **(37.43)** | **(8.90)** | **(3.29)** | **91.47** | **97.06** | **89.77** | **87.25** | **84.80** | **82.42** |
| **Economic NPV @10 discount rate** |  | **$516.68** |  |  |  |  |  |  |  |  |  |
| Economic NPV @10 discount rate |  | $434.21 |  |  |  |  |  |  |  |  |  |
| **Economic Internal Rate of Return** |  | **85%** |  |  |  |  |  |  |  |  |  |
| Economic Internal Rate of Return |  | 78% |  |  |  |  |  |  |  |  |  |
| Sensitivity NBR Admin Scenario 2 10 percent saving | -0.05 | -5.45 | -37.43 | -8.90 | -3.29 | 92.11 | 97.72 | 90.38 | 87.85 | 85.38 | 82.98 |
| Sensitivity VAT Admin Scenario 2 10 percent saving | (0.05) | (5.45) | (37.43) | (8.90) | (3.29) | 86.81 | 92.23 | 85.31 | 82.92 | 80.59 | 78.33 |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Ratio Calculations** | Base Case | **With project Scenario 1 - 30 percent** | **Scenario 2 - 10 percent** |  |  |  |  |  |  |  |  |
| Total administrative costs year 1(in US$ mill) | **74.99** | **74.99** | **74.99** |  |  |  |  |  |  |  |  |
| Administrative costs :VAT revenues) | **0.01753** | 0.01227 | 0.01578 |  |  |  |  |  |  |  |  |
| Total NBR Admin costs as % of VAT revenues | 1.75 | 1.23 | 1.58 |  |  |  |  |  |  |  |  |
| VAT administrative costs (US $ million) | 22.89 | 22.89 | 22.89 |  |  |  |  |  |  |  |  |
| VAT admin cost ratio: VAT revenues | 0.0054 | 0.0037 | 0.0048 |  |  |  |  |  |  |  |  |
| % | 0.54 | 0.3746 | 0.48 |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |
| **Sensitivity Analysis** | **Change assumptions compliance costs savings = 1 percent; Admin costs savings = 10 percent** | | | | | | |  |  |  |  |
| Admin cost ratio with project | 22.89304 | 24.22083 | 27.23364 | 30.48148 | 34.01875 | 37.55837 | 42.79014 | 43.40687 | 46.40194 | 49.60368 | 53.02633 |
| Admin costs with project US$ million | 23 | 24 | 27 | 30 | 34 | 33.803 | 38.511 | 39.066 | 41.762 | 44.643 | 47.724 |
| Admin savings | - | - | - | - | - | 3.8 | 4.3 | 4.3 | 4.6 | 5.0 | 5.3 |
| Compliance savings |  |  |  |  |  | 70.18 | 79.95 | 81.11 | 86.70 | 92.68 | 99.08 |
| Total Savings | - | - | - | - | - | 73.9 | 84.2 | 85.4 | 91.3 | 97.6 | 104.4 |
| Cash flow | (0.05000) | (6.00000) | (45.29000) | (11.85000) | (4.82000) | 69.62375 | 83.43251 | 85.14653 | 91.04234 | 97.34496 | 104.08247 |
| Discounted cash flow | (0.05) | (5.45) | (37.43) | (8.90) | (3.29) | 43.23 | 47.10 | 43.69 | 42.47 | 41.28 | 40.13 |
| **NPV** | **$76.15** |  |  |  |  |  |  |  |  |  |  |
| **IRR** | **37%** |  |  |  |  |  |  |  |  |  |  |

# Program Action Plan

1. The following are some of the activities necessary to achieve readiness for implementation of VAT Improvement Program, from the technical perspective:

* Carry out baseline measurement for: number of registered active VAT taxpayers; number of on-line e-filers; number of Large Taxpayer Unit on-line e-payments; as agreed with the Association (June 30th, 2016).
* Carry out independent taxpayer satisfaction survey annually (June 30th, 2015/2017/2019)
* Hire the third party independent verification entity using agreed TOR and procurement process with the Bank (June 30th, 2014).
* Complete staffing of VAT Implementation team, ensure minimum of 15 staff working in the VAT Implementation Team for the duration of the program (within two months of effectiveness and reviewed annually).
* Develop a change management plan for on-going training and sensitization and (ii) undertake change management training to sensitize at least 200 VAT tax officers on the introduction of the new VAT administration system; and the required behavioral changes when shifting to automated system (June 2015).
* Develop capacity building plan; training program, taxpayer outreach and communications plan (internal and external) and operational manuals for administrative processes-registration, processing, collection, non-filing, enforcement, taxpayer services and audit and grievance redressal and appeal procedures; and (ii) develop a proactive disclosure and RTI compliance policy document endorsed by the Chairman, and subsequently implement the required changes to the website and office disclosures (December 2014).
* Carry out VAT compliance gap analysis and modeling to (a) establish a baseline for the VAT compliance gap and (b) support the project team as required (June 30th, 2015);
* Carry out study of disaggregated components of administrative and legal impacts on VAT revenue increases over the course of the program; and (ii) Carry out an estimate into the amount of revenue foregone due to exemptions and other treatments (June 30th, 2019);
* Technology Harmonization Strategy Integration Plan produced by Technology Working Group, and approved by Chairman NBR (December, 2014).

# Risk Analysis and Mitigation

1. The overall technical risk of the VAT Improvement Program is Substantial (S). Implementing a comprehensive tax administration reform supported by sophisticated IT system is complex technically and requires changes in the underpinning business process. The capacity of NBR to undertake such a reform is weak, and despite the proposed mitigation measures (resident tax advisor at NBR, close supervision from the field-based Bank team, coordination with support provided by other development partners and DLIs related to key processes from the VAT Implementation Plan), the technical risk remains Substantial.
2. Vested interests in the status quo and the volatile political economy add to the risks of trying to implement comprehensive tax administrative reform in this environment. A change management plan will be implemented to overcome the resistance of stakeholders to the implementation of the VAT reforms. Also, the coordination with the agreement with the IMF mitigate against potential changes in government priorities and political support. Therefore, after the proposed mitigation measures, the stakeholder risk has been assessed as Moderate.

**Implementation Support**

1. The task team will provide technical support to the borrower as needed to:

* Support implementing entities to initiate procurement processes and plan for Program activities, including PAP activities (first twelve months) and capacity building plans
* Quarterly discussions with implementing partners to review progress and plans for next cycle (12 to 48 months).
* Independent verification of results, including consultants to be financed by the Bank for results 1.1.1 and 1.1.2.
* Assessment of progress made, establishment of baseline for key indicators, review targets for subsequent years.

# Annex 1: Detailed VAT Implementation Plan (revised)

|  |  |  |  |
| --- | --- | --- | --- |
|  | **VAT Implementation Project Timeline** |  |  |
| **ID** | **Task** | **Start** | **Finish** |
|  |  | **MM/DD/YY** | **MM/DD/YY** |
| 1 | **1. Legislation** |  |  |
| 2 | **1.1 VAT law** | 11/27/12 | 6/2/14 |
| 3 | 1.1.1Law passed by Parliament | 11/27/12 | 11/27/12 |
| 4 | 1.1.2 Consider need for VAT Amendment Act - emerging issues | 11/27/12 | 11/25/13 |
| 5 | 1.1.3 Stakeholder consultation - Amendment Act | 2/1/13 | 2/1/14 |
| 6 | 1.1.4 Draft Amendment Act. | 2/11/14 | 6/2/14 |
| 7 | 1.1.5 Amended law enacted | 6/2/14 | 6/2/14 |
| 8 | **1.2 Consequential reforms** | 11/19/13 | 6/2/14 |
| 9 | 1.2.1 Consider need for consequential amendments (e.g. To Customs, Tax) | 11/19/13 | 2/10/14 |
| 10 | 1.2.2 Approve consequential amendments and introduce to Parliament | 2/11/14 | 4/21/14 |
| 11 | 1.2.3 Consequential amendments passed by Parliament | 5/6/14 | 6/2/14 |
| 12 | 1.2.4 Consequential amendments enacted | 6/2/14 | 6/2/14 |
| 13 | **2. Subsidiary Rules and Orders** | 12/25/12 | 12/31/14 |
| 14 | **2.1 Rules** | 12/25/12 | 6/10/14 |
| 15 | 2.1.1 Draft rules | 12/25/12 | 5/27/13 |
| 16 | 2.1.2 Consultation | 9/12/13 | 4/30/14 |
| 17 | 2.1.3 Ministry of Law review | 1/28/14 | 3/24/14 |
| 18 | 2.1.4.NBR approves | 4/30/14 | 5/20/14 |
| 19 | 2.1.5 Rules sent for gazettal | 5/21/14 | 6/10/14 |
| 20 | 2.1.6 Rules gazette | 6/10/14 | 6/10/14 |
| 21 | 2.1.7 Revise Orders | 11/24/13 | 6/10/14 |
| 22 | **2.2 Draft revised SROs, GOs and SOs** | 11/24/13 | 1/31/14 |
| 23 | 2.2.1 NBR approves revised SROs, GOs, and SOs | 2/1/14 | 2/28/14 |
| 24 | 2.2.2 Publish revised SROs, GOs, and SOs | 4/16/14 | 6/10/14 |
| 25 | 2.2.3 All SROs, GOs and SOs published and applied | 6/10/14 | 6/10/14 |
| 26 | **2.3 Technical Guidelines** | 5/21/14 | 12/31/14 |
| 27 | 2.3.1 Identify difficult areas of law requiring clarification | 5/21/14 | 9/16/14 |
| 28 | 2.3.2 Draft guidelines clarifying difficult areas of the law | 9/21/14 | 11/15/14 |
| 29 | 2.3.3 NBR approves guidelines | 11/16/14 | 11/22/14 |
| 30 | 2.3.4 Publish guidelines | 11/27/14 | 12/31/14 |
| **32** | **3. Design of new VAT administration programs** | **11/14/13** | **10/29/14** |
| **33** | **3.1 High level design of the new VAT administration programs** | **11/14/13** | **12/4/13** |
| 34 | 3.1.1 Draft VAT Strategic Statement | 11/14/13 | 12/4/13 |
| 35 | 3.1.2 Chairman approves VAT strategic statement | 12/4/13 | 12/4/13 |
| **37** | **3.2 Develop high level business process models and descriptions and business rules** | **12/5/13** | **10/29/14** |
|  | *(HLBR documents are all to be completed for 03/15/14, later date is business rules)* |  |  |
| 38 | 3.2.1 Registration | 12/5/13 | 7/2/14 |
| 39 | 3.2.2 Customer contact and taxpayer services | 12/5/13 | 7/2/14 |
| 40 | 3.2.3 Return and payment processing | 12/5/13 | 7/2/14 |
| 41 | 3.2.4 Audit | 12/5/13 | 8/29/14 |
| 42 | 3.2.5 Collections and late/non filer management | 12/5/13 | 9/10/14 |
| 43 | 3.2.6 Investigations | 12/5/13 | 10/29/14 |
| 44 | 3.2.7 Appeals | 12/5/13 | 9/17/14 |
| 45 | 3.2.8 Customs | 12/5/13 | 8/27/14 |
| **47** | **4. Staff Communication and Engagement** | **12/5/13** | **1/15/14** |
| 48 | 4.1 Develop staff communication and change management plan | 12/5/13 | 1/15/14 |
| 49 | 4.2 Commence staff consultation and engagement | 1/15/14 | 1/15/14 |
| **51** | **5. Organizational and structural issues** | **11/30/12** | **12/30/13** |
| 52 | 5.1 Design new organizational structure for VAT | 11/30/12 | 12/20/13 |
| 53 | 5.2 Calculate number of taxpayers and expected workloads under new VAT law | 11/30/12 | 12/20/13 |
| 54 | 5.3 Determine broad approach to processing expected workloads | 11/30/12 | 12/20/13 |
| 55 | 5.4 Calculate staff numbers and requirements by function and level | 11/30/12 | 12/20/13 |
| 56 | NBR approves final staff numbers | 12/30/13 | 12/30/13 |
| **58** | **6. Develop User and Procedure Manuals and Forms** | **11/13/13** | **11/15/14** |
| **59** | **6.1 Develop User and Procedure Manuals** | **12/24/13** | **11/1/14** |
| 60 | 6.1.1 Registration process | 12/24/13 | 7/21/14 |
| 61 | 6.1.2 Return, payments and accounts management | 4/14/14 | 10/31/14 |
| 62 | 6.1.3 Refunds Management | 5/20/14 | 10/14/14 |
| 63 | 6.1.4 Arrears and Non Filing Enforcement | 7/18/14 | 11/11/14 |
| 64 | 6.1.5 Taxpayer Services | 5/20/14 | 8/14/14 |
| 65 | 6.1.6 Field Advisory Visits | 5/20/14 | 10/14/14 |
| 66 | 6.1.7 Audit phase 1 | 7/13/14 | 11/11/14 |
| 67 | 6.1.8 Audit phase 2 | 7/13/14 | 8/1/15 |
| 68 | 6.1.9 Investigations | 8/10/14 | 11/11/14 |
| 69 | 6.1.10 Appeals | 6/24/14 | 11/11/14 |
| 70 | 6.1.11 Customs | 6/3/14 | 9/25/14 |
| 71 | 6.1.12 Other procedures as identified | 8/26/14 | 10/20/14 |
| **72** | **6.2 Forms Design** | **11/13/13** | **10/9/14** |
| 73 | 6.2.1 Registration application form | 2/24/14 | 6/4/14 |
| 74 | 6.2.2 Notification of registration notice | 2/24/14 | 6/4/14 |
| 75 | 6.2.3 Return form | 4/4/14 | 7/28/14 |
| 76 | 6.2.4 Special application forms | 5/29/14 | 8/9/14 |
| 77 | 6.2.5 Other forms as identified | 11/13/13 | 9/10/14 |
| **79** | **7. Training Course Development** | **12/1/13** | **4/18/15** |
| 80 | 7.1 Develop overall training and learning support strategy and approach | 12/1/13 | 2/1/14 |
| 81 | 7.2 Chairman approves training strategy | 2/1/14 | 2/1/14 |
| 82 | 7.3 General VAT familiarization training package | 7/1/14 | 8/22/14 |
| 83 | 7.4 Processing training package - registration | 7/21/14 | 9/16/14 |
| 84 | 7.5 Processing training package - returns and payments processing | 10/31/14 | 1/6/15 |
| 85 | 7.6 Collection and non filing enforcement training package | 11/11/14 | 12/4/14 |
| 86 | 7.7 Advisory activity training package | 8/14/14 | 10/2/14 |
| 87 | 7.8 Taxpayer Service training package | 8/14/14 | 10/8/14 |
| 88 | 7.9 Contact Centre staff training package | 8/14/14 | 11/3/14 |
| 89 | 7.10 Audit Phase 1 training package | 11/11/14 | 1/24/15 |
| 90 | 7.11 Audit Phase 2 training package | 8/1/15 | 10/18/15 |
| 91 | 7.12 Appeals training package | 11/11/14 | 1/5/15 |
| 92 | 7.13 Investigations training package | 11/11/14 | 4/18/15 |
| 93 | 7.14 Turnover tax staff familiarization training package | 10/31/14 | 12/6/14 |
| 94 | 1.15 Customs training package | 9/25/14 | 12/15/14 |
| 95 | 7.16 Other training as identified | 10/20/14 | 2/9/15 |
| **97** | **8. Staffing** | **12/31/13** | **12/29/14** |
| 98 | 8.1 Develop staffing plan | 12/31/13 | 1/15/14 |
| 99 | 8.2 Chairman approves staffing plan | 1/24/14 | 1/24/14 |
| 100 | 8.3 Execute staffing plan | 2/25/14 | 12/29/14 |
| **102** | **9. Staff training** | **7/23/14** | **1/24/16** |
| 103 | 9.1 Initial VAT staff familiarization training | 7/23/14 | 10/14/14 |
| 104 | 9.2 Audit & Enforcement staff - initial advisory activities | 10/15/14 | 12/9/14 |
| 105 | 9.3 Advisory activity staff fully trained | 12/9/14 | 12/9/14 |
| 106 | 9.4 Processing Centre staff - registration job training | 11/9/14 | 12/20/14 |
| 107 | 9.5 Taxpayer Contact Centre staff training VAT law and processes | 12/01/14 | 1/1/15 |
| 108 | 9.6 Taxpayer Services staff - counter and outreach services training | 11/23/14 | 12/20/14 |
| 109 | 9.7 Taxpayer Services Staff fully trained | 12/20/14 | 12/20/14 |
| 110 | 9.8 Processing Centre staff - returns and payment processing training | 5/4/15 | 5/24/15 |
| 111 | 9.9 Enforcement staff - collection and non filling job training | 6/29/15 | 8/9/15 |
| 112 | 9.10 Enforcement staff fully trained | 8/9/15 | 8/9/15 |
| 113 | 9.11 Audit staff - phase 1 audit training | 5/18/15 | 8/1/15 |
| 115 | 9.12 Investigations staff - investigations training | 4/19/15 | 6/13/15 |
| 116 | 9.13 All turnover tax staff - familiarization training | 11/12/14 | 2/3/15 |
| 117 | 9.14 Customs staff - basic familiarization | 12/16/14 | 3/9/15 |
| 118 | 9.15 Audit staff - phase 2 audit training | 11/2/15 | 1/24/16 |
| **120** | **10. IT systems development** | **11/27/12** | **12/26/15** |
| 121 | 10.1 Prepare a comprehensive IT development plan | 2/28/13 | 4/28/13 |
| **122** | **10.2 IT Procurement Support** | **11/27/12** | **3/21/14** |
| 123 | 10.2.1 Obtain IT procurement specialist support | 11/27/12 | 3/21/14 |
| **124** | **10.3 VAT Tax Administration Software** | **12/23/14** | **12/26/15** |
| **125** | **10.3.1 Develop VAT tax administration software** | **12/23/14** | **12/26/15** |
| **126** | **10.3.1.1 Vendor configures system** | **12/23/14** | **12/26/15** |
| 127 | 10.3.1.1.1 Implement registration module | 12/23/14 | 12/23/14 |
| 128 | 10.3.1.1.2 Implement advisory module | 12/23/14 | 12/23/14 |
| 129 | 10.3.1.1.3 Implement Taxpayer Services module | 12/23/14 | 12/23/14 |
| 130 | 10.3.1.1.4 Implement returns, payment and refund processing, taxpayer and revenue accounts modules | 5/24/15 | 5/24/15 |
| 131 | 10.3.1.1.5 Implement arrears and non filling enforcement modules | 7/30/15 | 7/30/15 |
| 132 | 10.3.1.1.6 Implement audit module | 5/30/15 | 5/30/15 |
| 133 | 10.3.1.1.7 Implement Investigations module | 12/26/15 | 12/26/15 |
| 134 | 10.3.1.1.8 Implement Appeals module | 7/5/15 | 7/5/15 |
| 135 | 10.3.1.1.9 Implement Customs module | 12/29/14 | 12/29/14 |
| **136** | **10.4 Data Center** | **12/10/13** | **9/15/14** |
| 137 | 10.4.1 Implement Selected Data Center supplier | 12/10/13 | 9/15/14 |
| 138 | 10.4.2 Data Center Operational | 9/15/14 | 9/15/14 |
| **139** | **10.5 Data Network** | **7/20/14** | **12/27/14** |
| 140 | 10.5.1 Install data network | 7/20/14 | 12/27/14 |
| 141 | 10.5.2 Network complete | 12/27/14 | 12/27/14 |
| **142** | **10.6 Desktop hardware and software, and local and data center servers** | **7/20/14** | **12/31/14** |
| 143 | 10.6.1 Install desktop hardware and software | 7/20/14 | 12/31/14 |
| 144 | 10.6.1.2 All equipment in place | 12/31/14 | 12/31/14 |
| **146** | **11. Establish Processing Center** | **7/20/14** | **1/3/15** |
| 147 | 11.1 Establish Processing Center | 7/20/14 | 1/3/15 |
| 148 | 11.2 Processing Center operational | 1/3/15 | 1/3/15 |
| **150** | **12. Establish Taxpayer Contact Center** | **7/20/14** | **12/27/14** |
| 151 | 12.1 Establish Taxpayer Contact Center | 7/20/14 | 12/27/14 |
| 152 | 12.2 Center begins to receive taxpayer contact | 12/27/14 | 12/27/14 |
| **154** | **13. Consultation and Taxpayer Education** | **8/11/13** | **5/10/16** |
| **155** | **13.1 Public Information Campaign** | **8/11/13** | **5/10/16** |
| 156 | 13.1.1 Prepare taxpayer consultation and education plan | 1/31/14 | 1/31/14 |
| 157 | 13.1.2 Presentations to business and community | 6/11/14 | 5/10/16 |
| 158 | 13.1.3 Government TV and other media adverts | 8/11/13 | 7/11/15 |
| **159** | **13.2 Explanatory material** | **8/3/14** | **12/21/14** |
| 160 | 13.2.1 Draft registration Guide | 8/3/14 | 10/11/14 |
| 161 | 13.2.2 Draft full VAT Guide | 9/1/14 | 12/21/14 |
| 162 | 13.2.3 Draft General consumer explanatory material | 10/12/14 | 11/8/14 |
| 163 | 13.2.4 Draft industry specific pamphlets | 8/3/14 | 10/25/14 |
| **164** | **13.3 Taxpayer education** | **1/1/14** | **11/14/15** |
| **165** | **13.3.1 Registration** | **12/7/14** | **7/4/15** |
| 166 | 13.3.1.1 Advertise requirement to register for VAT | 12/7/14 | 7/4/15 |
| 167 | 13.3.1.2 Issue registration packs (Guide and form) to expected registrants | 12/21/14 | 1/31/15 |
| **168** | **13.3.2 Return filing and payment** | **1/4/15** | **11/14/15** |
| 169 | 13.3.2.1 Advertise new VAT law filing and payment obligations | 2/9/15 | 9/6/15 |
| 170 | 13.3.2.2 Provide advisory service to initial registrants | 1/4/15 | 11/14/15 |
| 171 | 13.3.2.3 Issue full VAT guide to registered taxpayers | 1/4/15 | 5/9/15 |
| 172 | 13.3.2.4 Consultation with external agencies - develop MOUs if required | 1/1/14 | 12/30/14 |
| **174** | **14. Business Registration** | **1/4/15** | **5/30/15** |
| 175 | 14.1 Commence registration, enlistment process for new VAT Act | 1/4/15 | 1/4/15 |
| 176 | 14.2 Contact all existing VAT and turnover taxpayers and ask to re register | 1/4/15 | 3/28/15 |
| 177 | 14.3 Cancel all old BIN numbers | 5/3/15 | 5/30/15 |
| **179** | **15. Issue and Receive First VAT returns** | **12/23/14** | **1/25/16** |
| 180 | 15.1 Issue first VAT returns | 6/15/15 | 6/15/15 |
| 181 | 15.2 Receive first VAT returns and payments | 8/9/15 | 8/9/15 |
| **183** | **15.3 Other VAT Administration programs become operational** | **12/23/14** | **1/25/16** |
| 184 | 15.3.1 Audit commences - full phase 2 functionality | 1/25/16 | 1/25/16 |
| 185 | 15.3.2 Investigations commence | 12/26/15 | 12/26/15 |
| 186 | 15.3.3 Ongoing taxpayer services commence | 12/23/14 | 12/23/14 |
| 187 | 15.3.4 Arrears and non filer management commences | 8/9/15 | 8/9/15 |
| 188 | 15.3.5 Appeals management commence | 7/5/15 | 7/5/15 |
| 189 | 15.3.6 Advisory visits | 12/23/14 | 12/23/14 |
| **191** | **16. Implementation Plan** | **11/27/12** | **1/1/14** |
| 192 | 16.1 IMF mission prepares draft implementation plan | 11/27/12 | 12/17/12 |
| 193 | 16.2 Plan presented to NBR chairman | 12/17/12 | 12/17/12 |
| 194 | 16.3 Review and finalize implementation plan | 12/18/12 | 3/11/13 |
| 195 | 16.4 Plan presented to Steering Committee for sign off | 3/11/13 | 3/11/13 |
| 196 | 16.5 Plan presented to Minister of Finance for approval | 3/31/13 | 3/31/13 |
| 197 | 16.6 VAT team updates implementation plan | 11/30/13 | 11/30/13 |
| 198 | 16.7 Chairman approves updated implementation plan | 12/31/13 | 12/31/13 |
| 199 | 16.8 VAT steering Committee commences regular monthly oversight meetings | 1/1/14 | 1/1/14 |
| **201** | **17. Government Development Project Proposal (DPP) Approval** | **4/23/13** | **12/31/13** |
| 202 | 17.1 Government Development Project Proposal (DPP) Approval | 4/23/13 | 4/23/13 |
| 203 | 17.2 Prepare DPP pro forma | 4/23/13 | 5/25/13 |
| 204 | 17.3 NBR Chairman review and approve DPP | 5/26/13 | 6/1/13 |
| 205 | 17.4 Finance Minister review and approve DPP | 6/2/13 | 6/8/13 |
| 206 | 17.5 Planning Commission review and approve DPP | 6/9/13 | 7/13/13 |
| 207 | 17.6 Economic Council review and approve DPP | 7/14/13 | 8/24/13 |
| 208 | 17.7 Decide need for revising DPP | 12/31/13 | 12/31/13 |
| **210** | **18. Funding** | **12/1/13** | **6/27/16** |
| **211** | **18.1 World Bank Funding** | **3/31/14** | **6/27/16** |
| 212 | 18.1.1 World Bank Board approves project | 3/31/14 | 3/31/14 |
| 213 | 18.1.2 NBR requests advance from Planning Commission | 4/1/14 | 4/28/14 |
| 214 | 18.1.3 Further disbursements requested at 6 monthly intervals | 7/1/14 | 6/27/16 |
| 216 | 18.1.4 GOB Funding | 12/1/13 | 5/28/16 |
| 217 | 18.1.5 Request disbursements at quarterly intervals | 12/1/13 | 5/28/16 |
| **219** | **19. Tenders** | **8/1/13** | **6/13/15** |
| **220** | **19.1 COTS Tax Administration solution** | **8/1/13** | **3/21/15** |
| 221 | 19.1.1 Preparation of RFT by NBR | 8/1/13 | 11/6/13 |
| 222 | 19.1.2 Review and approval by World Bank | 8/1/13 | 11/6/13 |
| 223 | 19.1.3 Chairman (NBR) approves RFT | 8/1/13 | 11/6/13 |
| 224 | 19.1.4 Appoint Tender Opening Committee and Tender Evaluation Committee | 8/1/13 | 11/6/13 |
| 225 | 19.1.5 Issue RFT | 11/13/13 | 11/13/13 |
| 226 | 19.1.6 Pre-bid meeting | 11/28/13 | 11/28/13 |
| 227 | 19.1.7 Opening of Tenders | 12/24/13 | 12/25/13 |
| 228 | 19.1.8 Evaluation and selection | 12/25/13 | 4/4/14 |
| 229 | 19.1.9 WB approval of evaluation process and selected candidate | 4/4/14 | 5/4/14 |
| 230 | 19.1.10 Processing by IRD and MOF approval | 5/4/14 | 5/18/14 |
| 231 | 19.1.11 Processing by Cabinet Division | 5/18/14 | 5/25/14 |
| 232 | 19.1.12 Cabinet Committee approval of selected candidate | 5/25/14 | 6/3/14 |
| 233 | 19.1.13 Issue NOA | 6/10/14 | 6/6/14 |
| 234 | 19.1.14 Contract signed | 7/7/14 | 7/7/14 |
| 235 | 19.1.15 Vendor commences project | 5/10/14 | 6/7/14 |
| 236 | 19.1.16 Vendor completes registration component | 6/7/14 | 9/27/14 |
| 237 | 19.1.17 Vendor completes balance of project | 6/7/14 | 12/26/15 |
| **238** | **19.2 Project Consultancy** | **11/1/13** | **6/13/15** |
| 239 | 19.2.1 Preparation of EOI and approval by Chairman | 11/1/13 | 11/14/13 |
| 240 | 19.2.2 Issue EOI | 11/15/13 | 11/15/13 |
| 241 | 19.2.3 Close EOI | 11/16/13 | 12/6/13 |
| 242 | 19.2.4 Select shortlist of EOIs for RFP | 12/7/13 | 12/13/13 |
| 243 | 19.2.5 Preparation of RFP by NBR | 11/15/13 | 12/5/13 |
| 244 | 19.2.6 Review and approval by World Bank | 12/6/13 | 12/12/13 |
| 245 | 19.2.7 Chairman (NBR) approves RFP | 12/13/13 | 12/19/13 |
| 246 | 19.2.8 Appoint Tender Opening Committee and Tender Evaluation Committee | 11/20/13 | 12/3/13 |
| 247 | 19.2.9 Issue RFP | 12/21/13 | 12/21/13 |
| 248 | 19.2.10 Pre-bid meeting | 1/5/14 | 1/11/14 |
| 249 | 19.2.11 Opening of Tenders | 2/5/14 | 2/6/14 |
| 250 | 19.2.12 Evaluation and selection | 2/6/14 | 3/1/14 |
| 251 | 19.2.13 WB approval of evaluation process and selected candidate | 3/1/14 | 3/12/14 |
| 252 | 19.2.14 Chairman endorsement of evaluation report and selected candidate | 3/12/14 | 3/19/14 |
| 253 | 19.2.15 Processing by IRD and MOF approval | 3/19/14 | 3/26/14 |
| 254 | 19.2.16 Processing by Cabinet Division | 3/26/14 | 4/2/14 |
| 255 | 19.2.17 Cabinet Committee approval of selected candidate | 4/2/14 | 4/30/14 |
| 256 | 19.2.18 Issue NOA | 4/30/14 | 5/17/14 |
| 257 | 19.2.20 Contract signed | 5/20/14 | 5/20/14 |
| 258 | 19.2.21 Vendor fulfills project | 6/14/14 | 6/20/15 |
| **259** | **19.3 Data Center** | **11/12/13** | **9/15/14** |
| 260 | 19.3.1 Determine need for consultant support for sourcing of Data Center | 11/12/13 | 11/12/13 |
| 261 | 19.3.2 Complete sourcing consultancy | 11/13/13 | 12/3/13 |
| 262 | 19.3.3 Chairman decides sourcing of Data Center supplier | 12/8/13 | 12/8/13 |
| 263 | 19.3.4 Determine need for consultant support for preparation of RFP or MOU | 12/9/13 | 12/9/13 |
| 264 | 19.3.5 Implement selected Data Center supplier option | 12/10/13 | 9/15/14 |
| **265** | **19.4 Data Network** | **1/1/14** | **12/31/14** |
| 266 | 19.4.1 Obtain consultancy from IFC for QR of business specs and RFP prep. | 1/1/14 | 1/28/14 |
| 267 | 19.4.2 Preparation of RFP by NBR | 1/29/14 | 2/25/14 |
| 268 | 19.4.3 Review and approval by WB (if required) | 2/26/14 | 3/18/14 |
| 269 | 19.4.4 Chairman (NBR) approves RFP | 3/19/14 | 3/25/14 |
| 270 | 19.4.5 Appoint Tender Opening Committee and Tender Evaluation Committee | 1/29/14 | 2/8/14 |
| 271 | 19.4.6 Issue RFP | 3/25/14 | 3/25/14 |
| 272 | 19.4.7 Pre-bid meeting | 4/9/14 | 4/9/14 |
| 273 | 19.4.8 Opening of Tenders | 4/15/14 | 4/15/14 |
| 274 | 19.4.9 Evaluation and selection | 4/16/14 | 5/13/14 |
| 275 | 19.4.10 Negotiation with selected candidate | 5/14/14 | 5/20/14 |
| 276 | 19.4.11 WB approval of evaluation process and selected candidate | 5/21/14 | 5/27/14 |
| 277 | 19.4.12 Chairman endorsement of evaluation report and selected candidate | 5/28/14 | 6/3/14 |
| 278 | 19.4.13 Processing by IRD and MOF approval (if required) | 6/4/14 | 6/10/14 |
| 279 | 19.4.14 Processing by Cabinet Division (if required) | 6/11/14 | 6/17/14 |
| 280 | 19.4.15 Cabinet Committee approval of selected candidate | 6/18/14 | 7/1/14 |
| 281 | 19.4.16 Issue NOA | 7/2/14 | 7/2/14 |
| 282 | 19.4.17 Contract signed | 7/19/14 | 7/19/14 |
| 283 | 19.4.18 Vendor fulfills project | 8/17/14 | 12/31/14 |
| **284** | **19.5 Desktop hardware and software, and local and data center servers** | **1/1/14** | **12/31/14** |
| 285 | 19.5.1 Obtain consultancy from IFC for QR of business specs and RFP prep. | 1/1/14 | 1/28/14 |
| 286 | 19.5.2 Preparation of RFP by NBR | 1/29/14 | 2/25/14 |
| 287 | 19.5.3 Review and approval by WB (if required) | 2/26/14 | 3/18/14 |
| 288 | 19.5.4 Chairman (NBR) approves RFP | 3/19/14 | 3/25/14 |
| 289 | 19.5.5 Appoint Tender Opening Committee and Tender Evaluation Committee | 1/29/14 | 2/8/14 |
| 290 | 19.5.6 Issue RFP | 3/26/14 | 3/26/14 |
| 291 | 19.5.7 Pre-bid meeting | 4/10/14 | 4/10/14 |
| 292 | 19.5.8 Opening of Tenders | 4/16/14 | 4/16/14 |
| 293 | 19.5.9 Evaluation and selection | 4/17/14 | 5/14/14 |
| 294 | 19.5.10 Negotiation with selected candidate | 5/15/14 | 5/21/14 |
| 295 | 19.5.11 WB approval of evaluation process and selected candidate | 5/22/14 | 5/28/14 |
| 296 | 19.5.12 Chairman endorsement of evaluation report and selected candidate | 5/29/14 | 6/4/14 |
| 297 | 19.5.13 Processing by IRD and MOF approval (if required) | 6/5/14 | 6/11/14 |
| 298 | 19.5.14 Processing by Cabinet Division (if required) | 6/12/14 | 6/18/14 |
| 299 | 19.5.15 Cabinet Committee approval of selected candidate | 6/19/14 | 7/2/14 |
| 300 | 19.5.16 Issue NOA | 7/3/14 | 7/3/14 |
| 301 | 19.5.17 Contract signed | 7/19/14 | 7/19/14 |
| 302 | 19.5.18 Vendor fulfills project | 8/17/14 | 12/31/14 |
| **303** | **19.6 Processing Centers** | **1/1/14** | **12/31/14** |
| 304 | 19.6.1 Obtain consultancy from IFC for QR of business specs and RFP prep. | 1/1/14 | 1/28/14 |
| 305 | 19.6.2 Preparation of RFP by NBR | 1/29/14 | 2/25/14 |
| 306 | 19.6.3 Review and approval by WB (if required) | 2/26/14 | 3/18/14 |
| 307 | 19.6.4 Chairman (NBR) approves RFP | 3/19/14 | 3/25/14 |
| 308 | 19.6.5 Appoint Tender Opening Committee and Tender Evaluation Committee | 1/29/14 | 2/8/14 |
| 309 | 19.6.6 Issue RFP | 3/26/14 | 3/26/14 |
| 310 | 19.6.7 Pre-bid meeting | 4/10/14 | 4/10/14 |
| 311 | 19.6.8 Opening of Tenders | 4/16/14 | 4/16/14 |
| 312 | 19.6.9 Evaluation and selection | 4/17/14 | 5/14/14 |
| 313 | 19.6.10 Negotiation with selected candidate | 5/15/14 | 5/21/14 |
| 314 | 19.6.11 WB approval of evaluation process and selected candidate | 5/22/14 | 5/28/14 |
| 315 | 19.6.12 Chairman endorsement of evaluation report and selected candidate | 5/29/14 | 6/4/14 |
| 316 | 19.6.13 Processing by IRD and MOF approval (if required) | 6/5/14 | 6/11/14 |
| 317 | 19.6.14 Processing by Cabinet Division (if required) | 6/12/14 | 6/18/14 |
| 318 | 19.6.15 Cabinet Committee approval of selected candidate | 6/19/14 | 7/2/14 |
| 319 | 19.6.16 Issue NOA | 7/3/14 | 7/3/14 |
| 320 | 19.6.17 Contract signed | 7/19/14 | 7/19/14 |
| 321 | 19.6.18 Vendor fulfills project | 8/17/14 | 12/31/14 |
| **322** | **19.7 Contact Centers** | **1/1/14** | **12/31/14** |
| 323 | 19.7.1 Obtain consultancy from IFC for QR of business specs and RFP prep. | 1/1/14 | 1/28/14 |
| 324 | 19.7.2 Preparation of RFP by NBR | 1/29/14 | 2/25/14 |
| 325 | 19.7.3 Review and approval by WB (if required) | 2/26/14 | 3/18/14 |
| 326 | 19.7.4 Chairman (NBR) approves RFP | 3/19/14 | 3/25/14 |
| 327 | 19.7.5 Appoint Tender Opening Committee and Tender Evaluation Committee | 1/29/14 | 2/8/14 |
| 328 | 19.7.6 Issue RFP | 3/26/14 | 3/26/14 |
| 329 | 19.7.7 Pre-bid meeting | 4/10/14 | 4/10/14 |
| 330 | 19.7.8 Opening of Tenders | 4/16/14 | 4/16/14 |
| 331 | 19.7.9 Evaluation and selection | 4/17/14 | 5/14/14 |
| 332 | 19.7.10 Negotiation with selected candidate | 5/15/14 | 5/21/14 |
| 333 | 19.7.11 WB approval of evaluation process and selected candidate | 5/22/14 | 5/28/14 |
| 334 | 19.7.12 Chairman endorsement of evaluation report and selected candidate | 5/29/14 | 6/4/14 |
| 335 | 19.7.13 Processing by IRD and MOF approval (if required) | 6/5/14 | 6/11/14 |
| 336 | 19.7.14 Processing by Cabinet Division (if required) | 6/12/14 | 6/18/14 |
| 337 | 19.7.15 Cabinet Committee approval of selected candidate | 6/19/14 | 7/2/14 |
| 338 | 19.7.16 Issue NOA | 7/3/14 | 7/3/14 |
| 339 | 19.7.17 Contract signed | 7/19/14 | 7/19/14 |
| 340 | 19.7.18 Vendor fulfills project | 8/17/14 | 12/31/14 |
| **342** | **19.8 Hardware Services Support - Mission to consider** | **1/31/14** | **1/31/14** |
| 343 | 19.8.1 Take decision on whether separate RFP required | 1/31/14 | 1/31/14 |
| **345** | **19.9 Accommodation for VAT Implementation Team** | **12/1/13** | **7/1/14** |
| 346 | 19.9.1 Engage local accommodation consultant (IFC funded) to define RFP | 12/1/13 | 12/28/13 |
| 347 | 19.9.2 Preparation of RFP by NBR | 12/29/13 | 1/18/14 |
| 348 | 19.9.3 Review and approval by WB (if required) | 1/19/14 | 2/1/14 |
| 349 | 19.9.4 Chairman (NBR) approves RFP | 2/2/14 | 2/8/14 |
| 350 | 19.9.5 Appoint Tender Opening Committee and Tender Evaluation Committee | 2/2/14 | 2/8/14 |
| 351 | 19.9.6 Issue RFP | 2/9/14 | 2/9/14 |
| 352 | 19.9.7 Opening of Tenders | 3/12/14 | 3/12/14 |
| 353 | 19.9.8 Evaluation and selection | 3/13/14 | 4/7/14 |
| 354 | 19.9.9 WB approval of evaluation process and selected candidate | 4/7/14 | 4/14/14 |
| 355 | 19.9.10 Chairman endorsement of evaluation report and selected candidate | 4/14/14 | 4/21/14 |
| 356 | 19.9.11 Issue NOA | 4/21/14 | 4/22/14 |
| 357 | 19.9.12 Contract signed | 5/6/14 | 5/6/14 |
| 358 | 19.9.13 Temporary accommodation secured | 5/6/14 | 5/27/14 |
| 359 | 19.9.14 Final accommodation secured and occupied | 5/6/14 | 7/1/14 |
| **360** | **19.10 Office accommodation - Headquarters and Field** | **12/31/13** | **12/3/14** |
| 361 | 19.10.1 Prepare high level accommodation plan | 12/31/13 | 12/31/13 |
| 362 | 19.10.2 Preparation of RFP by NBR | 2/1/14 | 2/21/14 |
| 363 | 19.10.3 Review and approval by WB (if required) | 2/22/14 | 3/14/14 |
| 364 | 19.10.4 Chairman (NBR) approves RFP | 3/15/14 | 3/21/14 |
| 365 | 19.10.5 Appoint Tender Opening Committee and Tender Evaluation Committee | 3/22/14 | 3/28/14 |
| 366 | 19.10.6 Issue RFP | 3/22/14 | 3/22/14 |
| 367 | 19.10.7 Opening of Tenders | 4/17/14 | 4/17/14 |
| 368 | 19.10.8 Evaluation and selection | 4/18/14 | 5/13/14 |
| 369 | 19.10.9 Negotiation with selected candidate | 5/13/14 | 5/20/14 |
| 370 | 19.10.10 WB approval of evaluation process and selected candidate | 5/20/14 | 5/27/14 |
| 371 | 19.10.11 Chairman endorsement of evaluation report and selected candidate | 5/27/14 | 6/3/14 |
| 372 | 19.10.12 Issue NOA | 6/3/14 | 6/4/14 |
| 373 | 19.10.13 Contract signed | 6/18/14 | 6/18/14 |
| 374 | 19.10.14 Vendor fulfills contract | 6/18/14 | 12/3/14 |

Source: Aide- mémoire “Implementing the New VAT: Current Status and Next Steps” IMF, March 24, 2013.

# Annex 2: REVIEW OF THE NATIONAL BOARD OF REVENUE WEBSITE COMPLIANCE WITH RIGHT TO INFORMATION RULES ON PROACTIVE DISCLOSURE

**Background**

This report was undertaken for the National Board of Revenue (NBR) as part of on-going technical assistance to the NBR in the modernization agenda. The report aims to provide an assessment of the NBR’s website and its ease of use and usefulness to the public. An assessment was undertaken to determine the extent to which the website: (a) meets the expectations of the proactive disclosure rules of the Right to Information Act, 2009; and (b) meets the expectations of the user with the current content and layout.[[20]](#footnote-20) This assessment was undertaken as part of the UK government’s DFID-financed technical assistance program managed by the World Bank to support the implementation of the Right to Information Act, 2009.

This report assesses the NBR website: [www.nbr.gov.bd](http://www.nbr.gov.bd) and not [www.nbr-bd.org](http://www.nbr-bd.org). Although both websites are currently accessible as NBR websites it is not clear which is the most up to date version. Whichever is to be used should become the single site and the other de-activated in order to avoid confusing the citizen. If it would be useful to also review the [www.nbr-bd.org](http://www.nbr-bd.org) site this could also be done. An additional assessment of the information available for the VAT administration only was also done, and using both websites, concludes that the information available for the VAT Wing is similar in both websites, and similar to that available for the NBR as a whole.

**Findings**

The report finds that:

1. **The website fulfills over half of the proactive disclosure requirements under the RTI Act, 2009 rules and regulations.** This assessment is on par with the scores received by the Ministry of Finance’s website and is considered an overall high score. However, no information is provided on two categories under the rules “subsidies” and “permits”, although it is likely that neither are granted or issued by the NBR. Significantly, the website does not provide the contact details of a designated RTI officer. The assessment is provided in Table 3.
2. **There are a number of “quick fixes” that should be applied to the current website.** Mostly this is a result of unavailable information when clicking on a link. More details are provided in Table 1.
3. **Although the website is user-friendly, it can be refined more to cater to the needs of the taxpayer.** Overall, the website offers a strong hierarchy of information and adheres to a structure/template that is easy for navigation. However it can be refined further through site re-design and paying more attention to a content strategy and the user’s journey through the site. More details are provided in Table 2.

**Table 1: “Quick Fixes” for the NBR Website**

|  |  |  |  |
| --- | --- | --- | --- |
| Source of Information in the Website | Content Description | Place on Website | Issue to be Resolved |
| NBR Offices – NBR | VAT Wing; Customs Wing; Income Tax Wing; Customs and VAT Admin | Homepage, bottom; also top Menu Bar | Clicking on links leads to no information |
| NBR Offices – VAT | Customs, Excise and VAT Commisionerate (Dhaka-North); Rajshahi; Large Taxpayers Unit VAT Dhaka; Customs, Excise and VAT Commisionerate (Dhaka-East) | Homepage, bottom; also top Menu Bar | Some info is missing from the links. More links on various divisions can be found by clicking on “Read More” |
| Customs | Custom House (Dhaka, Mongla, Chittagong, Benapole) | Homepage, bottom; also top Menu Bar | Clicking on links leads to no information |
| Income Tax | Tax Zone 1-3, Large Taxpayers Zone Unit | Homepage, bottom; also top Menu Bar | Clicking on links leads to no information |
| Income Tax | Income Tax SRO; Income Tax Order; Paripatra | Homepage, top Menu Bar | Income Tax Order has no information |
| Projects | VAT, Income Tax, Customs, Excise | Homepage, top Menu Bar | No information |
| e-Customs | Online Manifest; Online Bill of Entry; Online Duty Payment; links 1-4 | Homepage | The links 1-4 are irrelevant and possibly mistakenly put content |
| Forms | VAT; Customs, Excise | Homepage, top Menu Bar | Excise link has no info |
| Budget | Budget Speech; Finance Bill; VAT; Income Tax, Customs; Excise | Homepage, top Menu Bar | VAT Rules, Income Tax Rules, Income Tax Order; Customs Rules; Customs Order; Excise Rules, Excise SRO and Excise Order – no info on link. However this info is available under the separate tabs in the menu bar in the Homepage. |

**Table 2: Recommendations for the NBR Website**

|  |  |  |
| --- | --- | --- |
| Issue | Recommendation | Timeframe |
| User Statistics | Include statistics related to number of users of the website and other analytical tools on website usage. To be followed as targets. | Next 3 months |
| Site (Re) Design | The central module that mentions updates for tenders and expressions of interest can be replaced by content that is directed at the primary users of the site. The ‘Tender/Notice’ module in the right sidebar is in fact a repetition of this central module, and it too can be moved away from the site’s prime real estate.  The links in the navigation bar should be re-ordered and re-named to be of greater value to users. Currently, there are too many links in the top navigation bar. Some of them do not work, and some of them link to the wrong pages. A list of possible revisions is shown below:   * About Us   + Chairman message, Chairman profile, and Organogram can probably be removed * Act   + Needs better explanation * Rules, Budget, Customs, VAT, Excise, Income tax   + Needs additional content that can help users understand what these links are meant to do * Field office   + Incomplete * FAQ   + This page has great potential, but there is not enough content * Project, Events, Publication   + Again, these pages need more content that can explain why these pages exist for the user * Webmail   + This should not be included in the top navigation bar. For a nationally public site, this link should probably not be visible at all to users   Pieces of legislation are scattered throughout the website. It would be good to have them under one section/link "Bangladesh Tax System", with two sub-links, the first one including technical guides/regulations/notes, etc, which are needed for the tax administration officials to interpret the legislation and enforce it adequately. The second link should include explanatory notes/guidance for taxpayers to comply with taxes. The latter should aim at answering questions you as taxpayer would raise.  Simulated Case Studies to imagine a probable user and his/her journey through the site. This can include three segments of taxpayers (large, medium, small). This exercise can be undertaken to understand how this journey can be assisted and made easier. | Next 3 months  Next 3 months  Next 3 months  Next 6 months |
| Content Maintenance | Links to VAT Calculator, VAT Registration very helpful. These should be maintained well. The homepage would improve significantly if the other *non*-taxpayer-related services were removed, and *only* these taxpayer-related links remained.  The Chairman’s message on the home page can be significantly reduced in size.  The link to the ‘Profile of Chairman’ can be removed.  The links in the area directly beneath the top navigation bar need to be much more clearly delineated. The e-Payment button, for instance, sits directly on top of a link to a page called ‘Irregularities of Grameen Bank’, so there is a risk that users may think that these two subjects are somehow related. | Next 3 months  Next 3 months |
| Additional Content | A Site-map can be helpful  A primary user should be able to open the homepage and understand what this site is about *within two seconds*. The homepage needs a tagline or some kind of opening message that lets users know what the website can do for them.  Add the following questions in the Homepage to assist the primary user:   1. ‘What is income tax, and how do I pay it?’ 2. Is there any way to pay taxes online? 3. How can I learn more about the tax systems for the company that I just registered? 4. Can I download tax forms?   The section on NBR's structure and its staff should be more user friendly and helpful for the taxpayers to understand "who is responsible for what", and all available means of communication to contact the officials.  It may be helpful to have a link on the main donor funded projects assisting the NBR- a short summary of each project's goal, scope and the main activities. | Next 3 months  Next 3 months  Next 6 months  Next 6 months  Next 6 months |

**Best Practices to Consider**

*User-focused content on a revenue department homepage:*

A good example of user-focused content on a homepage can be found here:

[**Washington State Department of Revenue**](http://dor.wa.gov/Content/Home/Default.aspx)

At the top of the homepage of the Washington State Department of Revenue website is a helpful list of links that point the user in the right direction. The exact wording is shown below. Each bullet point on the site is a link to a separate page:

“I need to. . .

* File my taxes online (E-file)
* Find a sales or use tax rate
* Look up a business or verify a Reseller Permit
* Find my pre-assigned access code
* Search for unclaimed property
* Get statistics and reports
* Report tax fraud
* Get business licensing and renewal information (BLS)”

*Re-order and re-name the links in the top navigation bar:*

On the [Wisconsin Department of Revenue](http://www.revenue.wi.gov/) page, for instance, the links are:

* Homes
* Businesses
* Individuals
* Tax professionals
* Governments
* Unclaimed property

On the [Kansas Department of Revenue](http://www.ksrevenue.org/) page, for instance, the links are:

* Home
* Personal tax
* Business tax
* Vehicles
* E-services
* Forms
* Contact us
* Divisions
* Media
* Miscellaneous

Similarly, the NBR Bangladesh site’s navigation bar links could possibly be re-ordered and re-named to something like:

* Home
* For individuals
* For businesses
* Forms
* Understanding taxes
* About us
* Contact

**Table 3: Assessing the NBR website against the RTI Proactive Disclosure Framework (Using the EOGP Framework, see Annex 1)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Public Body | Feature | 1  Institutional | 2  Organizational | 3  Operational | 4  Services | 5  Budget | 6  Subsidies | 7  Permits | 8  Procurement | 9  Decisions | 10  RTI | Score | Total Score |
| National Board of Revenue | Availability: main website | Y | Y | Y | Y | Y | N | N | Y | Y | N | 7 | 14/20 |
| Other website |  |  |  |  |  |  |  |  |  |  |  |
| Usability\*\* | Y | Y | Y | Y | Y | N | N | Y | Y | N | 7 |

The NBR website is considered to have received a high score in complying with the RTI Proactive Disclosure Framework. The scores are similar to the Ministry of Finance’s score. The website is user-friendly and easy to navigate, with the exception of the improvements mentioned above that can be taken into consideration.

The reason why the NBR website scores are not higher is due to the absence of data on subsidies and permits. However it is possible that these are neither granted nor issued by the NBR. However, the absence of a designated RTI officer and his/her contact details **should be included in** the website in compliance with the RTI Proactive Disclosure Requirements.

Table 4: VAT Wing on NBR Website Assessment using the RTI Proactive Disclosure Framework (www.nbr.gov.bd)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Public Body | Feature | 1  Institutional | 2  Organizational | 3  Operational | 4  Services | 5  Budget | 6  Subsidies | 7  Permits | 8  Procurement | 9  Decisions | 10  RTI | Score | Total Score |
| National Board of Revenue | Availability: main website | Y | Y | Y | Y | Y | N | N | Y | Y | N | 7 | **14/20** |
| Other website |  |  |  |  |  | N | N |  |  | N |  |
| Usability\*\* | Y | Y | Y | Y | Y | N | N | Y | Y | N | 7 |

Table 5: VAT Wing on NBR Website Assessment using the RTI Proactive Disclosure Framework (www.nbr-bd.org)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Public Body | Feature | 1  Institutional | 2  Organizational | 3  Operational | 4  Services | 5  Budget | 6  Subsidies | 7  Permits | 8  Procurement | 9  Decisions | 10  RTI | Score | Total Score |
| National Board of Revenue | Availability: main website | Y | Y | Y | Y | Y | N | N | Y | Y | N |  | **13/20** |
| Other website |  |  |  |  |  | N | N |  |  | N |  |
| Usability\*\* | Y | **N** | Y | Y | Y | N | N | Y | Y | N |  |

**Annex 1: Enabling Open Government Program (EOGP) Proactive Disclosure Assessment Framework**

**ENABLING OPEN GOVERNMENT PROGRAM (EOGP):**

**Proactive Disclosure Component**

**Background**

The Bangladesh RTI Act 2009 (and RTI Regulations) has extensive proactive disclosure provisions, whereby public bodies must place defined types of information in the public domain. This saves citizens having to submit RTI requests and reduces the administrative burden on public bodies of having to respond to multiple requests. However, simple release (availability) of information is not sufficient. In order to be effective, proactive disclosure should follow certain key principles: information should be accessible (easy to find), easy to understand, relevant and updated.

Through a trust fund with DFID, the World Bank is providing technical support to selected public bodies to support proactively disseminating information, consistent with the requirements of the Bangladesh RTI Act and international best practice. The public bodies targeted under the program are:

* Ministry of Primary and Mass Education
* Directorate of Primary Education
* Ministry of Health and Family Welfare
* Directorate General of Health Services
* National Board of Revenue
* Ministry of Finance
* Accountant General
* Anti-Corruption Commission

The initial focus of the program will be on supporting proactive disclosure through websites. All these bodies have their own websites, but the quantity and quality of information on these varies considerably. Some have a lot of information, others very little. Even when available, further common issues are that the information is not always easy to find or understand, there is inconsistent use of Bangla and English, and some documents (notably PDF files) are unreadable because of technical issues.

Given this wide variation across the target bodies, it is important to establish a baseline of current levels of proactive disclosure. This will help identify gaps and specific areas where support is needed in each public body.

**Types of Information**

The baseline assessment is focused on compliance with proactive disclosure requirements under the RTI Act 2009. Some of these are detailed in the Act, but most are elaborated in the RTI Regulations. For ease of analysis the types of information have been classified as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **#** | **Type** | **Details** | **RTI Act Regulations** |
| 1 | Institutional | Laws, rules, regulations, functions, powers | 1. Rules of business and responsibilities of authorities  2. Powers and responsibilities of concerned authorities and their officials  5. Acts, rules-regulations, instructions, manuals (documents and records preserved and used by authorities for delivering business) |
| 2 | Organizational | Organizational structure, details of facilities and employees, officers names and contact information, pay structure | 4. Directory of officers and employees |
| 3 | Operational | Policies, strategies, plans, progress reports (including annual reports), evaluations | 1. Description of activities,  5. Documents and records preserved and used by authorities for delivering business |
| 4 | Services | Public services provided, how to access these, fees, documents required, forms... | 1. Description of activities |
| 5 | Budget | Current budget, previous budget and actual expenditure, audit reports | 8. Budget of authority and its subordinate offices/reports on identification of types of planning, proposed expenditure and actual expenditure |
| 6 | Subsidies | Stipends, grants, scholarships | 9. Implementation procedure of social safety net, poverty alleviation, health service programs and description of beneficiaries, allocation of fund and amount of resources subject to provisions of Section 7 of RTI |
| 7 | Permits, Licenses | Concessions, grants, permits....objectives, beneficiaries, amount | 10. Description of allotted/guaranteed concession, permit/license, allotment or recipients provided by concerned authorities (including description of necessary conditions) |
| 8 | Procurement | Procurement process, criteria, tender notices, decisions, awarded contracts, progress reports | 5. (a) All contracts conducted by the Government/authority related to development/public works/projects (b) short description of every contract estimated cost/time-frame of contract |
| 9 | Decisions and Decision-making Processes | Important decisions, esp. those directly affecting the public;  Decision-making procedures, and mechanisms for the public to have say | 3. Process of decision making and means of ensuring accountability and supervision  6. Description of any types of counsel/representation for planning and implementation of decisions which are adopted by authorities  7. Meetings and decision of any Board, Council or Body constituted to advise and suggest any authority |
| 10 | RTI | RTI explanation, application procedure, details of Designated Officers, contact details | 1. Name, designation and other information of Designated Officer of information providing unit  2. Detailed description of name, designation and address of Appellate Authority  3. Detailed description of names, designation and address of Information Commission and Commissioners  4. Copy of all applications accepted by authorities that contains following information: (a) name of authority which has accepted the request; (b) document requested for (c) date of request |

**Baseline Assessment Methodology**

The methodology entails a review of the websites of each of the above listed public bodies to answer the following questions:

1) *Availability* - Are the types of information listed in the RTI regulations available on the public body’s website? – if not, is the information available on some other website?

2) *Usability* - Is the form in which the information is presented consistent with best practice principles, i.e. easy to find, easy to understand and updated[[21]](#footnote-21)?

With regard to scoring for question one:

* The score will be a simple ‘yes’ if information is available on the public body’s own website, and ‘no’ if it is not.
* A ‘yes’ requires at least half of the information listed in each category (see table above) to be given on the website.
* If not available on the main website, the second column will similarly be ticked ‘yes’/’no’ depending on whether the information is available on some other website.
* If the information is available on another website, it will be counted ‘yes’ in the final scoring (see below).

With regard to scoring for the second question:

* If the information is consistent with at least two of the key proactive disclosure principles – easy to find, easy to understand and updated – the answer will be ‘yes’;
* If only one or none of the principles is being followed, the answer will be ‘no’;
* If the information is only available on another site, or technical issues prevent readability (e.g. PDF files with ‘gobbledigook’) it will be considered as not being ‘easy to find’.

The scores – number of ‘yes’ marks – for each category, availability and usability, will be added up to give two marks for each public body: one on availability of information (marks out of 10), and one on usability (marks out of 10). The final score for each public body will be the total of these, i.e. marks out of 20.

[Note: by definition, the assessment is somewhat subjective, particularly the availability question on how much of each type of information is given on the website.]

**\_\_\_\_\_\_\_**

The scoring framework for the eight websites is given below, with a sample scoring of Ministry x.

**Use of the Baseline Assessment**

Listed below are the issues the assessment is designed to identify, and potential measures that could be taken as a result:

|  |  |
| --- | --- |
| **Issue** | **Recommendation** |
| Information not available anywhere | Information needs to be made available on public body website |
| Information not available on main website but on another website | Same information should be posted on main website |
| Information is available but hard to find/understand or is not updated | Website needs to be reorganized so information is easy to find  Specific information should be presented in a format/language that is easy for readers to understand  Information should be updated |

**Scoring Framework – An Example**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Public Body** | **Feature** | **1 Institutional** | **2 Organizational** | **3 Operational** | **4**  **Services** | **5**  **Budget** | **6**  **Subsidies** | **7**  **Permits** | **8**  **Procurement** | **9**  **Decisions** | **10**  **RTI** | **Score** | **Total Score** |
| *Sample: Ministry x* | **Availability: main website** | Y | Y | Y | Y | N | N | N | N | Y | N | 7/10\* | 9/20 |
| **Other website** | -- | -- | -- | -- | N | N | N | Y | -- | Y |
| **Usability\*\*** | N | N | N | Y | N | -- | -- | N | Y | N | 2/10 |

\*Score for availability is based on total number of ‘yes’ marks, i.e. availability on main website AND on another website.

\*\* Where information is not available on the main website, but is available on another website, it will be marked ‘No’ for ‘easy to find’ – since users have to go to another website to access it.

Where technical issues make it hard to access/read a document it will be marked as ‘No’ for ‘easy to find’.

1. Value Added Tax and Supplementary Duty Act, 2012 [↑](#footnote-ref-1)
2. The main responsibility of the NBR is to mobilize domestic resources through collection of import duties and taxes, VAT and income tax for the government. NBR is also responsible for formulation and continuous re-appraisal of tax-policies and tax-laws in Bangladesh. [↑](#footnote-ref-2)
3. Tax effort index is the ratio of actual revenues to potential. [↑](#footnote-ref-3)
4. IMF Paper “Revenue Mobilization in Developing Countries”, March 2011. [↑](#footnote-ref-4)
5. NBR and IMF, 2007. [↑](#footnote-ref-5)
6. Based on early estimates from the NBR. [↑](#footnote-ref-6)
7. VAT productivity is defined as the ratio of VAT revenue to GDP divided by the standard VAT rate. As such it equals the amount of VAT revenue as a proportion of GDP that is generated by each point in the standard VAT rate. [↑](#footnote-ref-7)
8. NBR and IMF (2007). [↑](#footnote-ref-8)
9. Source: NBR [↑](#footnote-ref-9)
10. The three step workload methodology includes: (i) identify quantifiable measures of workload for each major task carried out by the various units; (ii) calculate the average amount of staff time that is required to complete each task; and (iii) set targets for amount of work to be completed within certain timeframes. [↑](#footnote-ref-10)
11. The final program design concentrated on one implementing agency: the VAT Improvement program managed by the National Board of Revenue, and the rationale for the role of Cabinet Division as a coordinating body was removed. The Advance was also used to develop the program design and verification protocols and to support other ministries which were considering developing a results-based e-services and e-governance program which had been considered for inclusion in the Program earlier. [↑](#footnote-ref-11)
12. The ten members of the PSC include: Chairman on the NBR/Secretary, Internal Resources Division; Additional Secretary, World Bank Wing, ERD, MoF; concern Additional Secretary, Finance Division, MoF; Concern Additional Secretary, Finance Division, MoF; Concern Additional Secretary, Cabinet Division; Representative (not below the rank of Joint Secretary/Joint Chief) from Ministry of Science and ICT; Representative (not below the rank of Joint Secretary/Joint Chief) from IMED; Representative from Internal Resources Division (not below the rank of Joint Secretary); Representative from General Economics Division (not below the rank of Joint Secretary/Joint Chief); Program Director, Member VAT Policy. [↑](#footnote-ref-12)
13. The eight members of the PIC include: Chairman, Member (VAT: Enforcement & IT) of NBR; First Secretary (VAT:IT & Program Management) of NBR; representative from the Finance Division, MoF; representative from SEI Division, Planning Commission; representative from Programming Division, Planning Commission; representative from Bangladesh Computer Council; representative from General Economic Division, and concern Deputy Program Director, Member-Secretary. [↑](#footnote-ref-13)
14. Keeping the VAT implementation plan on track relates to several specific milestones as follows: Year 1 = COTS and Project Management Consultancy vendors selected; Year 2 = registration commences for new VAT and vendors for data center, contact center and other IT infrastructure selected Year 3 = process first VAT returns and payments; Year 4 = audit staff trained and process first VAT refunds. [↑](#footnote-ref-14)
15. Tax administration collection costs include three categories, administrative, salaries, and IT costs. [↑](#footnote-ref-15)
16. Chris Evans, “Studying the Studies: An Overview of recent research into taxation operating cost”, eJournal of Tax Research, Atax, The university of New South Wales, Volume 1, Number 1, 2003, pp. 64-92. [↑](#footnote-ref-16)
17. This is the official definition of the taxpayer compliance costs. Sandford, C. 1995. Tax compliance costs measurement and policy. Bath, England: Fiscal Publications. [↑](#footnote-ref-17)
18. Currently, there are around 97 WBG tax administration modernization reform projects (including active and pipeline), which target more than 60 countries and 6 regions. [↑](#footnote-ref-18)
19. These assumptions are also aligned with the PREM note “ Estimating Economic Benefits for Revenue Administration Reform Projects” <http://www1.worldbank.org/prem/PREMNotes/premnote112.pdf> [↑](#footnote-ref-19)
20. The report was undertaken by a World Bank team comprising Tracey Lane (Senior Economist, SASGP), and Munyema Hasan and Tashmina Rahman (Governance Consultants, SASGP). Comments were received from Sajid Chowdhury (Communications Consultant) and Julia Dhimitri (Taxation Consultant). [↑](#footnote-ref-20)
21. ‘Relevant’ has not been included here because all the types of information listed in the RTI Regulations will be relevant. While some websites could contain (additional) material that is not relevant, that is not being scored (negatively) because the baseline assessment is focused on compliance with proactive disclosure requirements. [↑](#footnote-ref-21)