



Research Monograph

on

**Legal Dimensions of Taxation and Public Revenue in Bangladesh:
Challenges, Gaps, and Reform Opportunities**

Submitted by :

Name: Rajib Chandra Paul

ID: LLB2201025027

Batch – 25th

Department of Law,
Sonargaon University

Submitted to:

Professor Dr. A. S. M. Tariq Iqbal
Dean, Faculty of Arts and Humanities
Sonargaon University

Acknowledgement

At first, thanks to Almighty, who has been kind enough to let me complete this research monograph in right time.

I would like to acknowledge my gratitude to my honorable teacher, Professor Dr. A. S. M. Tariq Iqbal for permitting me to undertake this research.

Thanks to him for his most constructive suggestion and informative guidance through his lectures.

From beginning of my research, I am personally indebted to some book writers for their kind and valuable writings. Thanks to all from the bottom of my heart.

Signature

Declaration

This is, Rajib Chandra Paul student ID: LLB2201025027 LL.B program of Department of Law of Sonargaon University, do hereby declare that the research monograph titled “**Legal Dimensions of Taxation and Public Revenue in Bangladesh: Challenges, Gaps, and Reform Opportunities**” an original work. The assigned work has done by me for partial requirement of my LL.B degree, this is part of academic curriculum. I certify that this thesis has not been submitted to obtain any degree in any university, and that to the best of my knowledge and belief it does not contain any material previously published or written by another person except where due references is made in the text.

I also declare that the presented work does not breach any existing copyright and no portion of this research monograph has been copied entirely from any work done earlier for a degree or otherwise.

Signature:

Date:

Letter of Transmittal

To,

Professor Dr. A. S. M. Tariq Iqbal

Dean, Faculty of Arts and Humanities

Sonargaon University

Subject: For the submission of research monograph titled “**Legal Dimensions of Taxation and Public Revenue in Bangladesh: Challenges, Gaps, and Reform Opportunities**”.

Sir,

With due respect and humble submission, I am honored to present my research monograph titled “Legal Dimensions of Taxation and Public Revenue in Bangladesh: Challenges, Gaps, and Reform Opportunities”, which has been prepared as a partial requirement for the completion of my Bachelor of Laws (LL.B Honours) under the Department of Law at Sonargaon University.

This research has been carried out with utmost sincerity and dedication. I have made every effort to maintain the required academic standards and present a comprehensive analysis on the chosen topic. I respectfully submit this work for your kind perusal and academic evaluation.

If any clarification or further information regarding this monograph is needed, I will remain available at your convenience.

Yours faithfully,

Rajib Chandra Paul

ID: LLB2201025027

Batch: 25th

Certification by the Research Supervisor

This is hereby certified that the research Monograph on the topic "Legal Dimensions of Taxation and Public Revenue in Bangladesh: Challenges, Gaps, and Reform Opportunities" submitted by Rajib Chandra Paul, ID No: LLB2201025027 in fulfillment of the requirements for LL.B. (Hon's) from Sonargaon University, under my active supervision and guidance and that no part of this paper has been submitted any place earlier, as far as I know.

Professor Dr. A. S. M. Tariq Iqbal

Dean, Faculty of Arts and Humanities

Sonargaon University, Dhaka

Table of Contents

Abstract.....	8
Chapter 1: Introduction.....	9
1.1 Background of the Study	
1.1 Statement of the Problem	
1.2 Research Questions	
1.3 Objectives of the Study	
1.4 Rationale of the Study	
1.5 Scope and Limitations of the Study	
1.6 Methodology of the Study	
1.7 Methodological Framework	
1.8 Sources of Data	
1.9 Legal and Policy Instruments Used	
1.10 Characterization of the Study	
Chapter 2: Review of Literature and Theoretical Framework.....	13
2.1 Review of Key Literature on Taxation and Public Revenue	
2.2 International Perspectives	
2.3 South Asian and Developing Country Experience	
2.4 Bangladesh-Specific Studies	
2.5 Theoretical Framework	
2.6 Legal Institutionalism	
2.7 Public Finance Theories	
2.8 Political Economy of Taxation	
2.9 Research Gap Identification	
Chapter 3: Legal and Constitutional Framework of Taxation in Bangladesh..	16
3.1 Constitutional Provisions on Taxation and Revenue	
3.2 Article 83 (Constitution of Bangladesh)	
3.3 Role of Parliament in Financial Legislation	
3.4 Statutory Framework of Taxation	
3.5 Income Tax Act (Latest Version)	
3.6 Value Added Tax and Supplementary Duty Act	
3.7 Customs Act	
3.8 Excise and Stamp Duty Provisions	
3.9 Key Administrative Institutions	
3.10 National Board of Revenue (NBR)	
3.11 Ministry of Finance	
3.12 Tax Tribunals and Judiciary	
3.13 Taxpayer Rights and Duties	
3.14 Legal Instruments: Statutory Regulatory Orders (SROs), Circulars, and Rules	
3.15 International Commitments and Tax Treaties	
3.16 Double Taxation Avoidance Agreements (DTAAs)	
3.17 WTO, IMF Guidelines on Taxation	
Chapter 4: Public Revenue Structure in Bangladesh.....	20
4.1 Overview of Public Revenue Components	
4.2 Tax Revenue vs Non-Tax Revenue	

- 4.3 Direct vs Indirect Taxation
- 4.4 Trends in Revenue Mobilisation (2010–2025)
- 4.5 Tax-to-GDP Ratio
- 4.6 Sectoral Revenue Contribution
- 4.7 Regional Disparities
- 4.8 Legal Basis for Non-Tax Revenue: Fees, Royalties, Licenses
- 4.9 Budgetary Process and Revenue Forecasting

Chapter 5: Challenges in the Legal and Institutional Framework.....23

- 5.1 Complex and Outdated Legal Provisions
- 5.2 Excessive Tax Exemptions and SRO Misuse
- 5.3 Ambiguities and Conflicts in Legal Texts
- 5.4 Institutional Challenges
- 5.5 Weak Enforcement by NBR
- 5.6 Human Resource and Technical Capacity Gaps
- 5.7 Political Influence and Lack of Autonomy
- 5.8 Low Compliance and Tax Morale
- 5.9 Informal Economy and Base Erosion
- 5.10 Corruption and Rent-Seeking
- 5.11 Judicial and Dispute Resolution Issues
- 5.12 Case Backlogs
- 5.13 Limited Access to Justice for Taxpayers
- 5.14 Delays in Legal Interpretation and Appeals
- 5.15 Public Trust, Awareness, and Perception Issues

Chapter 6: Gaps in the Legal and Institutional Framework.....27

- 6.1 Introduction
- 6.2 Absence of a Comprehensive Tax Code
- 6.3 Outdated and Fragmented Legislation
- 6.4 Inadequate Legal Safeguards for Taxpayer Rights
- 6.5 Overreliance on SROs and Executive Discretion
- 6.6 Lack of Legal Framework for Sub-National Taxation
- 6.7 Gaps in Institutional Capacity
- 6.8 Weak Inter-Agency Coordination
- 6.9 Inadequate Human Resources and Legal Expertise
- 6.10 Poor Institutional Accountability Mechanisms
- 6.11 Lack of Autonomy of the National Board of Revenue (NBR)
- 6.12 Institutional Overlap in Revenue Functions
- 6.13 Judicial and Dispute Resolution Gaps
- 6.14 Inadequate Legal Infrastructure for Tax Tribunals
- 6.15 Lack of Speedy and Efficient Appeals Mechanisms
- 6.16 Absence of Specialized Tax Benches in Higher Judiciary
- 6.17 Legislative and Policy Oversight Gaps
- 6.18 Limited Parliamentary Engagement in Tax Lawmaking
- 6.19 Weak Public Consultation in Fiscal Legislation
- 6.20 Absence of Mandatory Regulatory Impact Assessments (RIAs)
- 6.21 Digital and Technological Gaps in Legal Implementation
- 6.22 Lack of Legal Provisions for Digital Taxation
- 6.23 Gaps in Data Protection and Cybersecurity Frameworks
- 6.24 Incomplete Legal Integration of E-Filing and E-Governance Tools

- 6.25 Gaps in International Taxation Framework
- 6.26 Inadequate Domestic Incorporation of BEPS Measures
- 6.27 Weak Legal Capacity to Enforce DTAAs
- 6.28 Legal Unpreparedness for Digital Economy Taxation 6.8 Summary of Identified Gaps

Chapter 7: Case Studies and Empirical Insights.....33

- 7.1 Case Study: VAT Reform and Legal Implementation
- 7.2 Case Study: Tax Holiday Misuse through SROs
- 7.3 Case Study: Customs Disputes and Judicial Response
- 7.4 Interview Highlights (if any – optional)
- 7.5 Comparative Snapshot: India, Nepal, Sri Lanka

Chapter 8: Reform Opportunities and Policy Recommendations.....36

- 8.1 Legal Reform Proposals
- 8.2 Legislative Clarity and Consolidation
- 8.3 Reforming the SRO Regime
- 8.4 Enshrining Taxpayer Rights in Law
- 8.5 Administrative and Institutional Reforms
- 8.6 NBR Reform: Autonomy and Capacity Building
- 8.7 ICT and E-Governance in Tax Administration
- 8.8 Anti-Corruption and Oversight Mechanisms
- 8.9 Judicial and Dispute Settlement Reforms
- 8.10 Establishment of Fast-Track Tax Courts
- 8.11 Digital Case Management
- 8.12 Political Economy and Governance Reforms
- 8.13 Parliamentary Oversight
- 8.14 Transparency and Disclosure of Tax Incentives
- 8.15 Civil Society Engagement in Tax Policy
- 8.16 Learning from Global Best Practices

Chapter 9: CONCLUSION and Recommendation.....41

- 9.1 Summary of Key Findings
- 9.2 The Need for an Integrated Legal-Administrative Approach
- 9.3 Final Recommendations
- 9.4 Areas for Future Research

Bibliography.....44

Abstract

Three Institutions and Governance: *Legal frameworks, institutional structures and governance practices in Bangladesh play a significant role in influencing taxation and public revenue performance by generating inefficiencies, constraining the tax base, and impeding compliance. all these points lead to a low tax-to-GDP ratio of approximately 7.7-9%, when regional averages are considered, which is noted on systemic grounds such as leakage, corruption, and old procedures. Comprehensive legal-administrative reform is necessary for tax broadening, equity improvement and sustainable revenue mobilization. The tax laws in Bangladesh, as amended to date including the Income Tax Act 2023 which replaced the 1984 Ordinance, modernize collection process and features GAAR and alignment with IFRS, yet have a plethora of rates, exemptions and cumbersome compliance. VATs have narrow trapped bases and distorted cascading effect and lower productivity; income taxes suffer from narrow bases and high evasion. Reforms such as e-filing and automation aim to ease compliance, but loopholes perpetuate regressive taxes. Institutional Structures: The National Board of Revenue (NBR), an institution born in 1972 under the Ministry of Finance and responsible for 97% of total tax collected via its 45 directorates is struggling with a restructuring process due to a proposal by 2025 to divide into two entities, namely, Revenue Policy and Management Divisions which has invited protests due to allegations relating to politicisation. There is a lack of coordination between the organisations, which results in capacity constraints imposed by resource limitation and manual procedures which NBR can only collect 85% of total government revenue corresponding to central budget. New Age digitization initiatives such as e-TDS and taxpayer fairs promise much but are yet to be fully operationalized. Governance Practices : Corruption, inefficiencies and low enforcement further weaken revenue as governance issues take their toll discouraging taxpayers while allowing evasion in the informal segment. Policies like tax holidays skew incentives toward real estate instead of productive investments, while low administrative capacity and court backlogs slow the process of resolving problems. Efforts like ADR and taxpayer awareness seek to promote compliance, however politicization threats and weak data connection remain.*

Reform Needs: *Comprehensive reforms that capture legal multiplicity, institutional autonomy and governance transparency are needed to move tax-to-GDP ratio closer to 13%. Critical requirements include consistent VAT rates, computerization, anti-corruption steps and the formalization of the informal sector for fair implementation. The need for these changes is also reflected in the World Bank's emphasis on public financial management.*

CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Taxation is one of the oldest and most essential instruments through which a state ensures its financial independence, supports public service delivery, and pursues socioeconomic development. For developing countries like Bangladesh, taxation is not merely a revenue tool but a reflection of governance quality, state capacity, and public accountability. In a constitutional democracy, the legal dimension of taxation is crucial – taxation must be imposed and collected according to law, following principles of legality, equity, and due process.

The legal framework for taxation in Bangladesh is embedded in various laws and institutional mandates, including the Constitution of the People’s Republic of Bangladesh, the Income Tax Act, the Value Added Tax and Supplementary Duty Act, the Customs Act, and numerous Statutory Regulatory Orders (SROs). Despite these formal structures, Bangladesh’s tax-to-GDP ratio remains persistently low (around 7.5–9%) — one of the lowest in South Asia (Ahmed, 2024).¹ This suggests that the challenges are not only administrative but deeply rooted in the legal and institutional design of taxation.

Moreover, excessive exemptions, discretionary powers, weak enforcement, and limited taxpayer rights highlight gaps in the legal system governing taxation and revenue mobilization. The current study explores these legal dimensions and examines how they shape — and often hinder — the effective mobilization of public revenue in Bangladesh.

1.2 Statement of the Problem

While Bangladesh has made progress in economic growth and poverty reduction, the legal and institutional capacity to mobilize public revenue through fair and enforceable taxation remains underdeveloped. Tax laws are often complex, inconsistent, and poorly enforced. A significant portion of economic activity remains untaxed due to legal loopholes, exemptions granted through SROs, and the predominance of the informal sector.

There is also a growing concern about the political economy of taxation in Bangladesh. Elites and large corporations reportedly benefit from legal ambiguities and policy capture, weakening the legal enforcement of tax obligations. The judiciary, though constitutionally empowered, often lacks specialized capacity to deal with complex tax disputes efficiently. These challenges indicate a mismatch between legal frameworks, administrative capacities, and fiscal policy objectives.

Thus, the problem is not merely about increasing revenue but ensuring that the legal system governing taxation is equitable, transparent, enforceable, and aligned with development goals.

1.3 Research Questions

This thesis is guided by the following research questions:

1. What are the key legal and institutional frameworks governing taxation and public revenue in Bangladesh?

¹ Income Tax Act, the Value Added Tax and Supplementary Duty Act, the Customs Act, and numerous Statutory Regulatory Orders (SROs). Despite these formal structures, Bangladesh’s tax-to-GDP ratio remains persistently low (around 7.5–9%) — one of the lowest in South Asia (Ahmed, 2024).

2. What are the major legal, administrative, and procedural challenges that hinder effective tax mobilization?
3. How do legal exemptions, discretionary instruments (like SROs), and tax adjudication mechanisms impact public revenue?
4. What reform opportunities exist to address the legal and institutional gaps in the taxation system of Bangladesh?

1.4 Objectives of the Study

The primary objective of this thesis is to critically assess the legal dimension of taxation and public revenue in Bangladesh. Specific objectives include:

- To identify and analyse the existing legal framework governing taxation in Bangladesh.
- To examine the institutional setup, roles, and powers of tax authorities like the National Board of Revenue (NBR).²
- To explore legal gaps, procedural challenges, and their impact on compliance and enforcement.
- To assess the efficacy of dispute resolution mechanisms in tax matters.
- To propose reforms for enhancing legal and institutional effectiveness in revenue mobilization.

1.5 Rationale of the Study

The significance of this study lies in its focus on the often-overlooked legal aspects of taxation. While many studies have focused on administrative reforms or macroeconomic tax performance, few have examined how the legal framework itself enables or hinders effective taxation. By addressing this gap, the study contributes to the fields of public finance, legal reform, and governance.

For policymakers and lawmakers, the findings can inform legislative reforms. For tax administrators, the study can provide insight into aligning legal provisions with best practices. For researchers, it offers a framework for further legal and policy analysis in taxation.

1.6 Scope and Limitations of the Study

This thesis focuses on the legal dimension of tax policy and revenue administration in Bangladesh. It covers key legal instruments such as:

- The Constitution of Bangladesh (especially Article 83)³
- Income Tax Act (latest version)⁴
- VAT & Supplementary Duty Act⁵
- Customs Act⁶
- Relevant Statutory Regulatory Orders (SROs)⁷

It also considers institutional roles of the NBR, tax tribunals, and judicial processes. However, the study does not attempt to provide a full quantitative analysis of fiscal outcomes or conduct field surveys due to time and data limitations. Instead, it relies on secondary sources, legal analysis, and case studies.

² <https://nbr.gov.bd/about-us/about-us/eng>

³ <http://bdlaws.minlaw.gov.bd/act-367.html>

⁴ <https://nbr.gov.bd/regulations/acts/income-tax-acts/eng>

⁵ <https://www.dfdl.com/insights/legal-and-tax-updates/bangladesh-updates-on-amendments-to-the-vat-law/>

⁶ https://bangladeshcustoms.gov.bd/legislation/customs_act/123

⁷ https://nbr.gov.bd/uploads/sros/SRO_on-173_Rule_SRO_2021.pdf

1.7 Methodology of the Study

1.7.1 Methodological Framework

This thesis uses a doctrinal legal research approach supplemented by qualitative analysis. It involves interpreting statutory laws, constitutional provisions, case law, and administrative regulations. The study also draws upon elements of comparative legal analysis and policy review to contextualize Bangladesh's tax legal framework in relation to international standards and regional best practices.

1.7.2 Sources of Data

- **Primary Sources:** Legislation (Income Tax Act, VAT Act, Customs Act), Constitution of Bangladesh, judicial decisions from the Supreme Court and Tax Appellate Tribunals.⁸
- **Secondary Sources:** Books, journal articles, government reports, research by think tanks (e.g., PRI, RAPID, CPD), reports from international organizations (IMF, World Bank, OECD).⁹
- **News and Media:** Reports and opinion pieces from The Daily Star, Dhaka Tribune, The Business Standard, relevant to tax laws and reforms.¹⁰

1.7.3 Legal and Policy Instruments Used

The study examines the following legal and policy documents:

- **Constitution of Bangladesh**, particularly Article 83 (No taxation without legal sanction)
- **Income Tax Act, 2023** (or latest version)
- **VAT and Supplementary Duty Act, 2012**
- **Customs Act, 1969**
- **Finance Acts (annual)**
- **Selected SROs issued by the Ministry of Finance/NBR**
- **Tax Treaties (Double Taxation Avoidance Agreements)**
- **Reports from the National Board of Revenue (NBR)**

Where possible, key provisions are interpreted to understand their implications for compliance, equity, and enforcement.

1.8 Characterization of the Study

The thesis is divided into eight chapters, outlined as follows:

- **Chapter 1: Introduction** – Sets the stage by presenting the background, problem, research questions, methodology, and scope.
- **Chapter 2: Literature Review & Theoretical Framework** – Reviews prior studies and theoretical models relevant to tax law and public revenue.
- **Chapter 3: Legal and Constitutional Framework** – Examines the statutory and institutional structure of taxation in Bangladesh.
- **Chapter 4: Public Revenue Structure** – Analyses the sources, trends, and composition of revenue within the legal context.
- **Chapter 5: Challenges and Gaps** – Identifies and analyses legal, institutional, and administrative barriers to effective taxation.

⁸ https://www.supremecourt.gov.bd/resources/documents/2778555_WP274of2024.pdf

⁹ <https://www.imf.org/en/news/articles/2025/11/13/pr-25369-bangladesh-statement-end-imf-mission-2025-aiv-consult-and-5th-rev-under-ecf-eff-and-rsf>

¹⁰ <https://juralacuity.com/income-tax-bd/>

- **Chapter 6: Case Studies** – Presents real-world examples of tax policy implementation, litigation, or reform to support analysis.
- **Chapter 7: Reform Opportunities and Recommendations** – Suggests practical legal and policy reforms based on findings.
- **Chapter 8: Conclusion** – Summarizes key insights and provides recommendations for future research and policy direction.

CHAPTER 2

REVIEW OF LITERATURE AND THEORETICAL FRAMEWORK

2.1 Review of Key Literature on Taxation and Public Revenue

This section reviews key academic and policy literature relevant to taxation, legal frameworks, and public revenue mobilization. The review is structured across three tiers: international perspectives, experiences from South Asia and other developing countries, and Bangladesh-specific studies. It aims to establish the current state of knowledge, identify key debates, and highlight areas of convergence and divergence.

2.2 International Perspectives

Globally, the legal dimension of taxation has been widely studied as a foundational element of statehood and public finance. Scholars such as Musgrave and Musgrave (1989)¹¹ have emphasized the core functions of public finance in resource allocation, income distribution, and economic stabilization. According to Bird and Zolt (2005¹²), the legal framework underpins the legitimacy, equity, and enforceability of taxation, especially in developing countries where voluntary compliance is often low.

International organizations like the International Monetary Fund (IMF) and World Bank have promoted tax reforms focused on simplifying tax codes, widening the tax base, and improving tax administration. However, the legal foundations of these reforms—especially the statutory clarity, judicial capacity, and legislative oversight—are often treated as secondary issues. The OECD’s BEPS (Base Erosion and Profit Shifting) initiative, though focused on multinational taxation, has also highlighted the need for stronger domestic legal frameworks to prevent revenue loss through legal loopholes and treaty misuse (OECD, 2015).¹³

Studies by Tanzi and Zee (2000)¹⁴ argue that legal complexity, frequent exemptions, and administrative discretion contribute significantly to low tax yields and encourage rent-seeking. These challenges are common across developing countries, particularly in those with weak institutional environments and informal economies.

2.3 South Asian and Developing Country Experience

South Asia presents a mixed record in terms of tax policy and legal reform. India has undergone substantial legal transformations, such as the implementation of the Goods and Services Tax (GST), which involved constitutional amendments and uniform laws across states. This reform has been lauded for streamlining indirect tax collection but has also raised legal debates around federalism and revenue-sharing (Purohit, 2017).¹⁵

Nepal and **Sri Lanka** have also implemented tax reforms, though often without adequately addressing the underlying legal enforcement issues. In Pakistan, legal and administrative weaknesses persist, particularly in tax dispute resolution and broad-based compliance (Ahmed

¹¹ a foundational element of statehood and public finance. Scholars such as Musgrave and Musgrave (1989)

¹² Bird and Zolt (2005)

¹³ [The OECD’s BEPS \(Base Erosion and Profit Shifting\) initiative, though focused on multinational taxation, has also highlighted the need for stronger domestic legal frameworks to prevent revenue loss through legal loopholes and treaty misuse \(OECD, 2015\).](#)

¹⁴ Tanzi and Zee (2000)

¹⁵ https://www.cabrisbo.org/uploads/files/Documents/seminar_paper_2007_purohit_capable_finance_ministries_strengthening_budget_offices_english_7_day_3_session_2_purohit.pdf

& Rider, 2013). ¹⁶Comparative studies suggest that political will, legal clarity, and judicial efficiency are crucial determinants of successful tax reform in developing countries.

Many African and Latin American countries have implemented tax reforms recommended by international donors, but such efforts often faltered due to weak legal backing, excessive exemptions, or elite capture (Moore, 2014). ¹⁷These experiences underscore the need for legal reforms that are locally grounded, politically feasible, and institutionally supported.

2.4 Bangladesh-Specific Studies

In Bangladesh, several studies have examined the tax system from economic, administrative, and policy perspectives, but relatively few have explored the legal dimension in depth. According to Ahmed (2024) ¹⁸in the *Cambridge University Press* volume *Is the Bangladesh Paradox Sustainable?*, the country's low tax-to-GDP ratio is primarily due to weak institutions, fragmented legal enforcement, and discretionary policy instruments like Statutory Regulatory Orders (SROs). These instruments, often issued without parliamentary oversight, undermine the principle of legality in taxation.

The **Policy Research Institute (PRI)** and **RAPID** have published reports highlighting the disconnect between formal tax laws and their enforcement. For example, a 2023 working paper by Razzaque et al. noted that while Bangladesh has modern tax statutes, the implementation is hindered by outdated procedures, inconsistent legal interpretation, and a lack of taxpayer protection (RAPID, 2023).¹⁹

The **Centre for Policy Dialogue (CPD)** has also pointed out that legal ambiguity and excessive reliance on indirect taxes increase inequality and distort the tax system's fairness. Despite ongoing digitalization and automation, these efforts cannot succeed without parallel legal reforms that ensure clarity, transparency, and judicial oversight.

2.5 Theoretical Framework

To analyse the legal dimension of taxation and its implications for public revenue in Bangladesh, this study draws upon a multidisciplinary theoretical framework comprising legal institutionalism, public finance theories, and the political economy of taxation.

2.6 Legal Institutionalism

Legal institutionalism views law not merely as a set of rules but as an institutional mechanism that shapes and constrains state behavior. According to Hodgson (2006), institutions—including legal frameworks—define the "rules of the game" for economic and administrative actors. In the context of taxation, this means that well-drafted, enforceable, and transparent laws are necessary for creating predictable obligations and outcomes.

This perspective is particularly relevant in Bangladesh, where informal mechanisms and discretionary practices often undermine formal rules. The tax legal framework should therefore be seen as a dynamic institution that evolves through interaction with courts, bureaucracies, and political actors.

¹⁶ (Ahmed & Rider, 2013).

¹⁷ Moore, 2014).

¹⁸ Ahmed (2024)

¹⁹ <https://www.pri-bd.org/economy/four-key-challenges-for-budget-fy2023-2024/>

2.7 Public Finance Theories

Traditional public finance theory, as outlined by Musgrave and Musgrave (1989²⁰), identifies three primary roles of taxation: revenue generation, redistribution, and economic stabilization. From this lens, legal structures must ensure that taxes are equitably distributed, efficiently collected, and consistent with fiscal policy goals.

Modern public finance scholars have added dimensions of transparency, accountability, and taxpayer rights to the theoretical toolkit. These aspects highlight the need for legal safeguards that ensure due process, fair assessment, and access to remedies for taxpayers. Without a robust legal framework, the fiscal goals of the state risk being compromised.

2.8 Political Economy of Taxation

The political economy framework focuses on how power relations, elite interests, and institutional bargaining influence tax policy and implementation. Scholars such as Moore (2014)²¹ argue that taxation is inherently political because it involves redistributing resources and challenging entrenched interests.

In Bangladesh, the political economy of taxation is shaped by lobbying, elite influence over policy (e.g., tax exemptions), and weak accountability mechanisms. Legal provisions are often manipulated to serve vested interests through loopholes, SROs, and selective enforcement. This perspective is crucial for understanding why certain legal reforms are resisted or remain ineffective despite being formally adopted.

2.9 Research Gap Identification

While there is a growing body of literature on taxation in Bangladesh, most studies focus on economic performance, administrative challenges, or revenue trends. Few provide an in-depth analysis of the legal foundations of taxation and how these interact with administrative practice, judicial enforcement, and political constraints.

There is a clear gap in legal scholarship that critically examines:

- The role of constitutional and statutory provisions in shaping tax policy;
- The use and abuse of legal instruments like SROs in revenue decisions;
- The effectiveness of legal safeguards for taxpayers;
- The judicial response to tax disputes, including delays, capacity issues, and procedural fairness;
- And most importantly, the disconnect between formal laws and informal practices in tax enforcement.

This thesis aims to address these gaps by systematically analyzing the legal dimension of taxation and revenue collection in Bangladesh. It will offer a unique contribution by combining doctrinal legal analysis with policy evaluation to understand the structural and institutional weaknesses that inhibit revenue mobilization.

²⁰ [Musgrave and Musgrave \(1989\)](#)

²¹ [Moore \(2014\)](#)

CHAPTER 3:

LEGAL AND CONSTITUTIONAL FRAMEWORK OF TAXATION IN BANGLADESH

3.1 Constitutional Provisions on Taxation and Revenue

The legal foundation of taxation in Bangladesh is firmly rooted in its Constitution, which establishes both the principle of legality in taxation and the supremacy of Parliament in financial legislation.

3.2 Article 83 (Constitution of Bangladesh)

Article 83 of the Constitution of the People's Republic of Bangladesh provides the cornerstone of the legal framework for taxation. It reads:

“No tax shall be levied or collected except by or under the authority of an Act of Parliament.”²²

This provision ensures that taxation must have a clear legal basis, thereby protecting citizens from arbitrary imposition of taxes by the executive or any authority outside parliamentary oversight. The principle of “no taxation without representation”, a fundamental tenet of democratic governance, is thus enshrined in the constitutional framework.

²³

Despite this, in practice, this constitutional guarantee is often diluted through the excessive and opaque use of Statutory Regulatory Orders (SROs)²⁴ by the executive—raising concerns about constitutional fidelity and transparency.

3.3 Role of Parliament in Financial Legislation

Parliament holds the exclusive authority to enact financial legislation in Bangladesh. According to Article 81, all “Money Bills”, including those related to taxation, must originate in the Jatiya Sangsad (National Parliament). The Finance Act, passed annually, serves as the primary legislative vehicle for enacting tax policy and amending existing laws.²⁵

However, concerns have been raised in academic and civil society circles about the limited time and scrutiny Parliament dedicates to financial legislation (CPD, 2023). Much of the real power remains concentrated in the executive, particularly the Ministry of Finance and the National Board of Revenue (NBR), which limits democratic accountability in the taxation process.

3.4 Statutory Framework of Taxation

In addition to the Constitution, a number of key statutes regulate tax collection in Bangladesh. These laws are periodically updated through Finance Acts or amendments.

3.5 Income Tax Act (Latest Version)

The Income Tax Act, 2023 (which replaced the earlier 1984 ordinance)²⁶ is the principal legislation governing direct taxation in Bangladesh. It outlines the legal procedures for determining taxable income, calculating tax liabilities, filing returns, and appeals. The Act also

²² <http://bdlaws.minlaw.gov.bd/act-367/section-24639.html>

²³ https://www.supremecourt.gov.bd/resources/documents/2778555_WP274of2024.pdf

²⁴ **Statutory Regulatory Orders (SROs)**

²⁵ <http://www.commonlii.org/bd/legis/const/2004/part5.html>

²⁶ **Income Tax Act (Latest Version)**

The Income Tax Act, 2023 (which replaced the earlier 1984 ordinance)

defines the powers of tax officials and includes provisions on audit, penalties, and prosecutions.

Notably, the Act incorporates a progressive tax structure, although implementation is often challenged by widespread evasion and underreporting. Furthermore, certain ambiguous provisions leave room for administrative discretion and legal uncertainty, impacting both compliance and enforcement.

3.6 Value Added Tax and Supplementary Duty Act, 2012

This Act modernized the VAT regime by introducing a uniform 15% VAT **rate** and digitized invoicing, moving away from the older 1991 VAT Act. It aims to increase transparency and reduce cascading tax effects. However, businesses have often criticized the law's complexity and inconsistent implementation. The law also allows for zero-rating and exemptions, but these are often granted through SROs, raising questions of legal accountability.

3.7 Customs Act, 1969

Although enacted during the pre-independence period, the Customs Act, 1969 remains in force with numerous amendments. It governs the legal procedures for import and export duties, valuation, seizure, and adjudication. The law is crucial for Bangladesh's trade-related revenue and is administered by the Customs Wing of the NBR. However, critics argue that it is outdated and overly reliant on discretionary powers that open the door to corruption and legal conflict.²⁷

3.8 Excise and Stamp Duty Provisions

Various other statutes and schedules within the Stamp Act, 1899,²⁸ and the Excise and Salt Act, 1944 impose duties on financial instruments, documents, and services. These forms of indirect taxation often receive less attention but contribute meaningfully to non-tax revenue. Their legal administration remains fragmented, with scope for reform to improve clarity and compliance.

3.9 Key Administrative Institutions

3.10 National Board of Revenue (NBR)

The NBR is the apex body responsible for tax administration in Bangladesh. Established under the Ministry of Finance, it operates through three major wings: Income Tax, VAT, and Customs. While legally empowered to implement tax laws, draft rules, and collect revenue, the NBR lacks full autonomy and often operates under political and bureaucratic constraints.

Scholars argue that NBR's administrative structure needs to be legally reformed to ensure greater independence, transparency, and capacity for enforcement (Ahmed & Barua, 2022).²⁹

²⁷ **Customs Act, 1969**

Although enacted during the pre-independence period, the **Customs Act, 1969** remains in force with numerous amendments. It governs the legal procedures for import and export duties, valuation, seizure, and adjudication. The law is crucial for Bangladesh's trade-related revenue and is administered by the Customs Wing of the NBR. However, critics argue that it is outdated and overly reliant on discretionary powers that open the door to corruption and legal conflict.²⁷

²⁸ **Stamp Act, 1899.**

²⁹ (Ahmed & Barua, 2022).

3.11 Ministry of Finance

The Ministry of Finance (MoF), particularly its Internal Resources Division (IRD), is responsible for tax policy formulation and overseeing the NBR. It plays a critical role in preparing the national budget and setting macro-fiscal targets. However, legal overlaps and executive dominance have raised concerns over the lack of checks and balances between the MoF and Parliament in tax matters.

3.12 Tax Tribunals and Judiciary

Tax disputes in Bangladesh are adjudicated primarily by Tax Appellate Tribunals, Commissioner (Appeals), and ultimately the High Court Division of the Supreme Court. The Income Tax Act and VAT Act provide detailed procedures for appeals and revisions.

However, the legal and institutional capacity of these forums remains underdeveloped. Delays in dispute resolution, shortage of qualified tax judges, and procedural rigidity reduce taxpayer confidence in legal remedies.

3.13 Taxpayer Rights and Duties

While tax obligations are legally enforced, taxpayer rights in Bangladesh are not yet codified into a comprehensive charter. Laws outline duties such as filing returns, paying taxes, and maintaining records. However, rights such as due process, privacy, appeal, and protection from arbitrary assessments are often implicit or inconsistently applied.

The absence of a formal Taxpayer Bill of Rights, as seen in countries like India or South Africa, creates an imbalance in the taxpayer–state relationship. Legal reforms are needed to institutionalize taxpayer protections and embed them within enforcement frameworks.

3.14 Legal Instruments: Statutory Regulatory Orders (SROs), Circulars, and Rules

A unique and controversial feature of Bangladesh’s tax system is the extensive use of Statutory Regulatory Orders (SROs) issued by the NBR and the Ministry of Finance. These executive instruments allow the government to grant exemptions, alter tax rates, or modify procedures without full parliamentary scrutiny.

Although legally allowed under enabling provisions in tax laws, the frequent and non-transparent issuance of SROs has raised constitutional and legal concerns. Critics argue that such practices violate the spirit of Article 83, and contribute to elite capture and revenue loss (CPD, 2023).³⁰

In addition to SROs, tax administration relies on circulars, rules, and notifications, which sometimes create inconsistencies with primary legislation. Legal harmonization and judicial review of such instruments remain essential to ensure rule of law in taxation.

3.15 International Commitments and Tax Treaties

3.16 Double Taxation Avoidance Agreements (DTAAs)

Bangladesh has signed DTAAs with over 35 countries, including the UK, India, China, and Malaysia. These treaties are designed to prevent double taxation on cross-border income and encourage foreign investment. While these agreements are backed by legal ratification, enforcement remains a challenge due to capacity gaps in international tax law and treaty interpretation.

³⁰ <https://www.bssnews.net/news/265230>

3.17 WTO, IMF Guidelines on Taxation

Bangladesh is a member of the World Trade Organization (WTO) and regularly engages with the International Monetary Fund (IMF)³¹ and World Bank on tax reforms. These organizations advocate for broad-based taxation, reduced exemptions, and modernization of tax administration.

However, the legal domestication of international norms often lags behind policy commitments. For instance, although Bangladesh has endorsed the OECD BEPS framework,³² domestic laws are not yet fully aligned to tackle issues like base erosion or digital taxation.

Conclusion:

The legal and constitutional framework for taxation in Bangladesh is both comprehensive and fragmented. While foundational laws and institutions exist, gaps in legal clarity, overuse of executive instruments, and weak enforcement mechanisms undermine the effectiveness of revenue mobilization. A critical assessment of these legal structures—along with reform proposals—forms the core of the subsequent chapters.

³¹ [International Monetary Fund \(IMF\)](#)

³² [OECD BEPS framework](#).

CHAPTER 4: PUBLIC REVENUE STRUCTURE IN BANGLADESH

4.1 Overview of Public Revenue Components

The public revenue system of Bangladesh comprises two primary sources: tax revenue and non-tax revenue. Together, these contribute to the government's fiscal capacity to deliver public services, support development, and meet administrative obligations. A clear understanding of their structure is essential for analyzing the legal and policy challenges in revenue mobilization.

4.2 Tax Revenue vs Non-Tax Revenue

Tax revenue constitutes the bulk of public revenue in Bangladesh, collected primarily through direct and indirect taxes. According to the National Board of Revenue (NBR), tax revenue accounts for over 85% of total public revenue, with the rest derived from non-tax sources.

- Tax revenue is legally sanctioned under several statutes, including the Income Tax Act (2023), VAT and Supplementary Duty Act (2012), and Customs Act (1969). These are enforced by the NBR and governed by the constitutional framework, particularly Article 83.³³
- Non-tax revenue, on the other hand, includes fees, service charges, royalties, dividends from state-owned enterprises, fines, and proceeds from natural resource leases. These are collected under various administrative rules, ministerial directives, and policy frameworks, often lacking a consolidated legal structure.

The imbalance between tax and non-tax revenue sources highlights a narrow fiscal base and over-reliance on a few sources, which poses risks to fiscal sustainability.

4.3 Direct vs Indirect Taxation

Tax revenue in Bangladesh is heavily skewed towards indirect taxes. As of FY 2023–24, nearly 65% of total tax revenue was collected through VAT, customs duties, and supplementary duties. In contrast, direct taxes, primarily income taxes, contributed around 35% (NBR, 2024).³⁴

While indirect taxes are easier to collect and administer, they tend to be regressive, disproportionately affecting lower-income groups. The legal structure, therefore, must strike a balance between efficiency and equity, which remains a challenge in the existing framework. Legal scholars and policymakers argue for reforms that shift the focus towards progressive direct taxation, supported by stronger legal enforcement and digital integration (Ahmed & Barua, 2023).³⁵

4.4 Trends in Revenue Mobilization (2010–2025)

Revenue mobilization in Bangladesh has shown modest growth from 9.0% of GDP in FY2010 to 9.8% in FY2024, lagging regional peers and reflecting structural challenges like narrow bases and evasion despite statutory reforms. Total collections rose from Tk 62,552 crore (FY2010) to Tk 429,696 crore (FY2023-24), but achievement rates hovered at 90-95% of targets, with indirect taxes dominating at 65%.³⁶

³³ <https://nbr.gov.bd/regulations/acts/income-tax-acts/eng>

³⁴ <http://www.commonlii.org/bd/legis/const/2004/part5.html>

³⁵ [progressive direct taxation, supported by stronger legal enforcement and digital integration \(Ahmed & Barua, 2023\).](#)

³⁶ <https://www.bssnews.net/news/265230>

Bangladesh's tax-to-GDP ratio has remained stubbornly low, fluctuating between 7.5% and 9.2% over the past decade—one of the lowest in South Asia. The IMF's recommended benchmark for developing countries is around 15%, indicating a significant shortfall in fiscal capacity.

Despite legal reforms such as the introduction of the Income Tax Act, 2023 and digitization efforts, the ratio has not improved substantially due to:

- Weak legal enforcement,
- Evasion through informal economy,
- Excessive exemptions and discretionary reliefs via SROs.

This underperformance raises serious legal and institutional questions regarding compliance, statutory clarity, and administrative efficiency.³⁷

4.5 Sectoral Revenue Contribution

The industrial and import sectors dominate revenue contribution, particularly through VAT and customs duties. The ready-made garments (RMG) sector, for instance, contributes significantly to indirect taxes but enjoys generous tax incentives, often codified through SROs. Agriculture, despite its economic weight, contributes minimally to tax revenue due to constitutional exemptions and political considerations.

The legal framework allows sector-specific exemptions, but in practice, these have created distortions and inefficiencies. A more transparent and legally grounded sectoral taxation policy is required to ensure fairness and broad-based revenue mobilization.

4.6 Regional Disparities

There is significant geographical disparity in tax collection across the country. The **Dhaka** and **Chattogram** tax zones account for over 80% of total revenue, while rural and peripheral regions remain under-taxed and under-administered. This disparity results partly from uneven economic development, but also from the legal centralization of tax administration.³⁸

Currently, the legal framework does not empower local governments to collect or retain substantial taxes. As a result, sub-national fiscal autonomy is minimal. Legal reforms promoting decentralized revenue authority may improve both equity and efficiency in revenue collection.

4.7 Legal Basis for Non-Tax Revenue: Fees, Royalties, Licenses

Non-tax revenue in Bangladesh, while smaller in share, plays a critical role in government financing and regulatory functions. Sources include:

- **Fees** for government services (e.g. passports, registrations, court filings),
- **Royalties and rents** from natural resources (gas, minerals),
- **License fees** for telecommunications, energy, and broadcasting,
- **Dividends** from state-owned enterprises (SOEs),
- **Fines and penalties.**

However, the legal basis for non-tax revenue is fragmented and lacks coherence. In many cases, fees are set by administrative fiat rather than through primary legislation, raising concerns about accountability and legal transparency. For example:

³⁷ <https://www.imf.org/en/news/articles/2025/11/13/pr-25369-bangladesh-statement-end-imf-mission-2025-aiv-consult-and-5th-rev-under-ecf-eff-and-rsf>

³⁸ <https://www.bssnews.net/business/292004>

- Fees under the Telecommunication Act are reviewed irregularly,
- Royalties from gas extraction are governed by contract-specific terms with little public disclosure,
- Court fees are still regulated under colonial-era laws.

There is an urgent need for a comprehensive legal framework for non-tax revenue that consolidates current practices and ensures legal consistency, transparency, and public oversight.

4.8 Budgetary Process and Revenue Forecasting

The legal and procedural framework for budget formulation in Bangladesh is guided by the Constitution (Articles 81–92) and various statutes and rules administered by the Ministry of Finance. The Finance Division and NBR play a central role in revenue forecasting, which forms the basis of the Annual Finance Bill.

However, several legal and institutional challenges plague the budgetary process:

- Revenue targets are often over-ambitious and politically influenced, leading to underperformance and mid-year revisions.
- Forecasting is not always based on dynamic economic modelling or behavioral tax analysis.
- The use of SROs to adjust revenue instruments mid-year bypasses parliamentary approval, creating legal uncertainty and undermining Article 83.

While budget documents are publicly available, the level of parliamentary debate and scrutiny remains minimal. Moreover, post-budget reviews of revenue performance and legal compliance are rarely conducted.

Legal reform proposals in this area include:

- Strengthening the Fiscal Responsibility and Budget Management legal framework,
- Ensuring all tax policy changes are enacted through parliamentary legislation, not executive SROs,
- Enhancing the legal obligations for transparency and accountability in revenue forecasts.

Conclusion

The structure of public revenue in Bangladesh reflects both legal evolution and institutional inertia. While tax and non-tax revenues are governed by a range of laws and rules, the system suffers from over-centralization, legal inconsistency, and reliance on indirect taxes. A low tax-to-GDP ratio, skewed revenue base, and weak legal structures for non-tax revenue illustrate the systemic challenges that hinder fiscal resilience.

The next chapter will explore these issues more deeply by identifying the specific legal and institutional challenges, including misuse of legal instruments, gaps in taxpayer protection, and weaknesses in judicial enforcement.

CHAPTER 5

CHALLENGES IN THE LEGAL AND INSTITUTIONAL FRAMEWORK

Despite significant efforts to modernize taxation in Bangladesh, deep-rooted structural, legal, institutional, and socio-political challenges continue to undermine the effectiveness, equity, and legality of the country's revenue system. This chapter examines the primary obstacles within the legal and institutional apparatus that limit the potential of tax mobilization and revenue governance.

5.1 Complex and Outdated Legal Provisions

One of the fundamental legal challenges in Bangladesh's taxation system is the complexity and antiquity of its legal statutes. While some progress has been made—such as the enactment of the Income Tax Act, 2023³⁹—many crucial laws such as the Customs Act, 1969,⁴⁰ and Stamp Act, 1899⁴¹, remain relics of colonial rule, containing provisions that are outdated and difficult to interpret in a modern economic context.

This legal complexity often results in uncertainty, compliance costs, and increased scope for discretion and corruption. Businesses and taxpayers often require expert legal advice to navigate these provisions, which discourages voluntary compliance and increases dependence on informal negotiations with tax officials.

5.2 Excessive Tax Exemptions and SRO Misuse

The misuse of Statutory Regulatory Orders (SROs) is one of the most serious legal loopholes undermining tax policy. Despite Article 83 of the Constitution, which mandates that all taxes must be levied through parliamentary acts, the executive frequently uses SROs to alter tax rates or provide exemptions without adequate legislative scrutiny.

These exemptions, often benefiting politically connected sectors or elite groups, significantly erode the tax base, reduce revenue predictability, and weaken the credibility of tax laws. According to the Centre for Policy Dialogue (CPD, 2023), SRO-driven exemptions cost the government over 2% of GDP annually in lost revenue.

5.3 Ambiguities and Conflicts in Legal Texts

Many tax laws in Bangladesh contain ambiguous language, overlapping jurisdictions, or conflicting provisions, which result in confusion and inconsistent application. For example, certain definitions in the VAT and Income Tax Acts may conflict, especially in the classification of digital services, cross-border transactions, or composite business incomes.

Such legal ambiguities often lead to disputes between taxpayers and authorities, overburdening the judicial system. Additionally, the absence of a uniform tax code and poor harmonization across different tax statutes hinders administrative coordination and creates opportunities for tax evasion.

³⁹ [Income Tax Act, 2023](#)

⁴⁰ [Customs Act, 1969](#).

⁴¹ [Stamp Act, 1899](#)

5.4 Weak Enforcement by NBR

Although the National Board of Revenue (NBR) is the central authority responsible for tax administration, its capacity for effective enforcement is severely limited. The NBR lacks modern surveillance tools, comprehensive databases, and real-time integration of taxpayer information across departments.

Moreover, the NBR has limited autonomy in executing tax policies and is highly dependent on the Ministry of Finance, which reduces its operational independence. The absence of a robust legal framework supporting audit, enforcement, and penalty mechanisms further reduces its effectiveness.

5.5 Human Resource and Technical Capacity Gaps

Another significant institutional weakness lies in the shortage of skilled professionals in tax administration. Many NBR officials lack adequate training in tax law, digital auditing, and international taxation, resulting in poor implementation of even well-crafted legal provisions.

Moreover, technological systems like VAT Online Project and e-filing portals, although established, face issues due to inadequate IT support, user training, and legal standardization, leading to low uptake among both taxpayers and administrators.

5.6 Political Influence and Lack of Autonomy

The politicization of tax policy and administration impedes impartial enforcement of laws. Tax holidays, discretionary reliefs, and delayed enforcement actions are often influenced by political considerations rather than legal or economic rationale. The absence of a legally mandated independent tax oversight body or revenue commission allows political interference to go unchecked.

Such politicization compromises rule of law, fuels elite capture, and undermines the broader goals of fiscal justice and transparency in the revenue system.

5.7 Administrative Barriers

Corruption and governance weaknesses erode taxpayer trust and compliance, with bribery prevalent in tax processes. Limited training and resources for officials lead to poor enforcement and audit capacity. Political patronage and resistance from vested interests further delay reforms like separating policy from implementation at the National Board of Revenue (NBR).⁴²

5.8 Operational Barriers

Outdated technology and patchy automation cause revenue leakages through manual processes and errors in filing or refunds. Fragmented registries and weak third-party information reporting fail to match taxpayer data effectively, exacerbating evasion. Insufficient capacity for complex tasks, such as transfer pricing audits for multinational corporations, limits revenue from high-value sectors.⁴³

⁴² <https://www.icab.org.bd/publication/news/4/1579/Root-Causes-of-a-Tax-Unresponsive-Generation-of-Bangladesh>

⁴³ <https://www.thedailystar.net/opinion/views/news/overcoming-tax-reform-challenges-bangladesh-3718151>

5.9 Low Compliance and Tax Morale

Tax compliance in Bangladesh remains low by international standards. Only about 3.5 million people file income tax returns in a country of over 170 million (NBR, 2023). This is partly due to poor enforcement but also reflects low tax morale among citizens.⁴⁴

The perception that tax money is misused, coupled with lack of visible public services, weakens voluntary compliance. The legal framework currently lacks a comprehensive taxpayer rights and grievance redress system, which could improve compliance by enhancing trust.

5.10 Informal Economy and Base Erosion

The large informal sector, which constitutes an estimated 30–40% of GDP, remains outside the legal and tax net. Informal businesses operate without registration, licensing, or proper record-keeping, making legal enforcement of taxation nearly impossible.

Moreover, base erosion through transfer pricing, under-invoicing, and misclassification of goods and services undermines formal revenue collection. Existing tax laws in Bangladesh provide limited tools to combat these challenges, and legal reforms such as adopting OECD-compliant transfer pricing rules are still in nascent stages.

5.11 Corruption and Rent-Seeking

Corruption is a systemic barrier that distorts the enforcement of tax laws. Rent-seeking behavior by tax officials, often facilitated by legal loopholes and weak internal oversight, undermines the rule of law and incentivizes non-compliance.

Corruption is particularly prevalent in customs clearance, tax assessments, and refund processing, where discretion is high and transparency is low. Legal safeguards such as mandatory disclosures, internal audits, and anti-corruption protocols exist but are rarely enforced with consistency.

5.12 Judicial and Dispute Resolution Issues

Tax judicial and dispute resolution issues in Bangladesh stem from heavy backlogs, limited judicial independence in tax tribunals, and inefficiencies in the appellate process, hindering public revenue collection. These challenges create significant gaps in timely resolution and reform opportunities through enhanced ADR and structural changes. Key aspects include overloaded courts and discretionary powers fueling litigation.⁴⁵

5.13 Case Backlogs

Tax-related disputes often face long delays in adjudication. The Tax Appellate Tribunals and High Court Division face heavy caseloads and limited capacity, resulting in backlogs that delay the resolution of cases by several years.

These delays increase compliance costs and uncertainty for taxpayers and disincentivize businesses from challenging unjust assessments, thereby weakening legal accountability.

⁴⁴ <https://www.tbsnews.net/nbr/tax-return-filings-rise-411-revenue-collection-declines-1071246>

⁴⁵ <https://www.legalbusiness.co.uk/practice-areas/disputes-yearbook-2023/sponsored-briefing-dispute-resolution-through-courts-in-bangladesh/>

5.14 Limited Access to Justice for Taxpayers

Access to justice remains a critical concern, especially for small and individual taxpayers. The procedures for appeals and litigation are often complex, time-consuming, and expensive, making them inaccessible to those without legal representation.⁴⁶

Moreover, legal aid in tax cases is virtually non-existent, and tax tribunals are often perceived as biased or dominated by ex-tax officials, raising concerns about impartiality and procedural fairness.

5.15 Delays in Legal Interpretation and Appeals

There is often significant uncertainty in the interpretation of tax laws, especially where laws are poorly drafted or rapidly amended without adequate guidelines. This results in inconsistent legal rulings and a lack of jurisprudential clarity, further eroding trust in the system.⁴⁷

Legal delays in finalizing appeals also mean that large sums of potential revenue are locked in litigation, creating fiscal stress and reducing revenue certainty for the government.

5.16 Public Trust, Awareness, and Perception Issues

A significant but often overlooked challenge is the lack of public trust in the tax system. Many citizens perceive taxation as arbitrary, politically motivated, or corrupt. This perception is fueled by:

- Lack of transparency in revenue use,
- Absence of feedback mechanisms,
- Perceived inequality in tax burdens.

Additionally, low public awareness of tax laws, rights, and responsibilities creates a gap between the law and the taxpayer. Legal literacy campaigns are rare, and the tax code is not translated into accessible formats for the public.

This lack of engagement fosters a culture of evasion, and without sustained legal and civic reforms, improving tax morale and compliance will remain elusive.⁴⁸

Conclusion

This chapter has highlighted that the challenges facing Bangladesh's revenue system are not solely technical or economic, but deeply legal and institutional. From outdated laws and misuse of executive discretion, to weak enforcement, political interference, and judicial backlogs, the legal framework suffers from fragmentation and inefficiency.

Meaningful reform requires a holistic approach that addresses these legal distortions, strengthens institutional independence, ensures judicial efficiency, and builds public trust. The following chapter will explore opportunities for legal and policy reform to address these challenges.

⁴⁶ <https://actionaid.org/stories/2019/citizens-tax-tribunals>

⁴⁷ <https://www.scirp.org/journal/paperinformation?paperid=111830>

⁴⁸ <https://www.captainbiz.com/bd-bn/how-does-corruption-in-bangladesh-impact-tax-revenue-collection/>

CHAPTER 6

GAPS IN THE LEGAL AND INSTITUTIONAL FRAMEWORK

6.1 Introduction

While the preceding chapters have documented numerous legal, institutional, administrative, and operational challenges in taxation and public revenue mobilization in Bangladesh, this chapter focuses specifically on the gaps—those missing legal provisions, weak or absent institutional features, and unaddressed domains—that prevent the effective functioning of the tax system. “Gaps” here means not only what is broken or weak but also what is absent in law, policy, institutional design, or practice. Identifying these gaps is essential for proposing meaningful reform opportunities that attend to both law (statutes, regulations, judicial mechanisms) and institutions (capacity, oversight, coordination) in a holistic way.

6.2 Absence of a Comprehensive Tax Code

One of the primary legal gaps in Bangladesh’s taxation framework is the lack of a unified, comprehensive tax code. Currently, tax laws are spread across multiple statutes—Income Tax Act, VAT & Supplementary Duty Act, Customs Act, stamp duty and excise provisions, and many SROs and rules. Because of this fragmentation, overlapping definitions, inconsistent terminologies, and conflicting procedural norms arise. A comprehensive tax code would consolidate direct and indirect tax laws, formalize standard definitions, remove redundancy, and provide a more predictable and cohesive legal basis for both taxpayers and administrators.

⁴⁹

6.3 Outdated and Fragmented Legislation

Even where laws exist, many are outdated, having been enacted decades ago with only piecemeal amendments. For example, the Customs Act (1969) has undergone many amendments, but certain provisions remain reflective of an earlier trade environment and may not adequately address modern issues like digital trade, e-commerce, or cross-border services. Similarly, stamp and excise laws are often relics of colonial or early post-colonial legal regimes. The fragmentation caused by multiple amendments (sometimes by SROs) without periodic reviews has resulted in internal inconsistencies and ambiguities, legal lacunae for new forms of commerce, and gaps in enforcement for newer sectors (e.g. digital economy, freelancing).⁵⁰

6.4 Inadequate Legal Safeguards for Taxpayer Rights

Legal rights of taxpayers—such as right to information, right to fair appeal, protection from arbitrary assessments, and due process—are either implicit or under-protected in Bangladesh’s current legal framework. For instance, while there are procedures for appeals and revisions, taxpayers often lack clear statutory guarantees for timelines, transparency in audit or assessment process, or protection against discriminatory or arbitrary use of penalties. Absence of an explicit Taxpayer Bill of Rights or similar charter leaves many weaker or small taxpayers vulnerable.⁵¹

6.5 Overreliance on SROs and Executive Discretion

Statutory Regulatory Orders (SROs), which are executive instruments, are heavily used in Bangladesh to grant exemptions, relieve tax obligations, alter rates or provide special incentives without going through full parliamentary scrutiny. While some SROs may be permissible under enabling provisions of statutes, their frequent, non-transparent use

⁴⁹ <https://adamsmithinternational.com/articles/fixing-the-tax-system-in-bangladesh-a-long-road-ahead/>

⁵⁰ <https://www.thedailystar.net/law-our-rights/urge-amend-colonial-stamp-law-1204327>

⁵¹ <https://nbr.gov.bd/uploads/publications/107.pdf>

undermines the constitutional requirement (e.g. Article 83) that taxes must be imposed or modified by or under an act of parliament. The misuse of SROs has been identified in recent budgets, with dozens of income tax write-off SROs scrapped in 2025 for being misdirected. Such practices lead to unpredictability, revenue leakage, and erosion of legal accountability.⁵²

6.6 Lack of Legal Framework for Sub-National Taxation

Most revenue laws and collection mechanisms are centralized. There is little or no legal framework empowering local or sub-national government units (e.g. municipal corporations, local councils) to impose, collect, or retain certain taxes or fees in a legally codified and transparent manner. This gap constrains decentralized fiscal governance and regional equity: local governments often rely on transfers rather than locally mobilized revenue, which reduces local accountability and legal clarity over what powers they may or may not exercise.⁵³

6.7 Gaps in Institutional Capacity

Institutions like the National Board of Revenue (NBR), Ministry of Finance, customs, and VAT in Bangladesh face significant coordination challenges that hinder revenue mobilization. Weak data sharing between these entities, such as customs and VAT or income tax and banking, stems from inadequate legal mandates and procedural silos, leading to enforcement gaps and evasion.

6.8 Weak Inter-Agency Coordination

Many legal gaps have institutional roots. The institutions involved in revenue mobilization—NBR, Ministry of Finance, customs, VAT, judiciary, courts—often operate in silos with weak legal or procedural coordination. For example, cross-checking between customs and VAT departments, or between income tax department and banking authorities, is often hampered by lack of legal mandates for data sharing or harmonized legal protocols. This undermines enforcement, audit, and efforts to tackle evasion or leakage.

⁵⁴

6.9 Inadequate Human Resources and Legal Expertise

Even where the law provides tools for enforcement, many implementing institutions lack sufficient numbers of trained legal and tax experts. The complexity of modern tax issues (transfer pricing, digital economy, international tax treaties) demands specialized skills which are still scarce within the tax administration, revenue tribunals, and courts. This gap reduces the ability to interpret ambiguous laws, to mount strong legal cases against evaders, and to respond to new challenges in tax law.⁵⁵

6.10 Poor Institutional Accountability Mechanisms

There is a lack of strong legal and institutional oversight of the institutions themselves. Mechanisms to monitor performance, check abuse, ensure transparency and internal justice of revenue authorities are weak. For example, internal audits, ombudsman oversight, and legally guaranteed external audits or reviews are not always effective or empowered. Without legal mandates for accountability, units may evade answers, misuse discretion, or operate inefficiently.⁵⁶

6.11 Lack of Autonomy of the National Board of Revenue (NBR)

⁵² <https://adamsmithinternational.com/articles/fixing-the-tax-system-in-bangladesh-a-long-road-ahead/>

⁵³ [https://www.ccc.org.bd/elements/guideline/3.2 Interim tax assessment Carried out.pdf](https://www.ccc.org.bd/elements/guideline/3.2%20Interim%20tax%20assessment%20Carried%20out.pdf)

⁵⁴ <https://thefinancialexpress.com.bd/national/revenue-board-to-be-linked-to-multiple-public-agencies>

⁵⁵ <https://nbr.gov.bd/uploads/tender-notice/48.doc>

⁵⁶ <https://www.rad.org.bd/>

While NBR is the central authority for tax collection and administration, it lacks full legal and operational autonomy. Decisions on tax policy, appointments, structural changes, and even enforcement priorities are heavily influenced by the executive or political actors. The controversy over the 2025 ordinance that proposed replacing the NBR with two divisions—Revenue Policy Division and Revenue Management Division—and the protests from NBR officials reflect concerns about preserving autonomy, structure, and legal clarity. Without legally guaranteed autonomy, NBR may struggle to implement reforms or enforce rules consistently.⁵⁷

6.12 Institutional Overlap in Revenue Functions

In some instances, more than one institution has overlapping or unclear responsibility for a given task, such as policy formulation vs. administration, or between central and local government, or between tax collection and customs intelligence. These overlaps lead to duplication, inefficiency, inter-institutional conflict, and legal ambiguity on accountability, which in turn reduce enforcement effectiveness and create space for evasion.

⁵⁸

6.13 Judicial and Dispute Resolution Gaps

Bangladesh's tax appellate tribunals, revision authorities, and related judicial bodies suffer from inadequate infrastructure, chronic understaffing, procedural delays, and absence of mandated timelines, crippling dispute resolution despite handling thousands of cases annually. These gaps result in massive backlogs trapping billions in disputed revenue and weakening enforcement.

6.14 Inadequate Legal Infrastructure for Tax Tribunals

The legal infrastructure for resolving tax disputes—tax appellate tribunals, revision authorities, and specialized judges—is insufficient in terms of number, resourcing, procedural clarity, and legal backing. Many tribunals are burdened with old, slow processes, understaffed legal advisors, and weak enforcement of their decisions. There is no uniform standard or legal guarantee for the timelines within which tax disputes will be resolved.⁵⁹

6.15 Lack of Speedy and Efficient Appeals Mechanisms

Procedural delays, absence of deadlines for each stage of appeal or revision, and backlog in courts contribute to inefficiencies. Small and individual taxpayers especially suffer because legal costs and delays become prohibitive. Delayed judgments or appeals also mean that disputed revenue remains in limbo, reducing fiscal certainty.

6.16 Absence of Specialized Tax Benches in Higher Judiciary

While lower tribunals handle many cases, the absence or insufficient number of specialized tax benches or judges in higher courts (High Court Division, Supreme Court) who are trained in tax law reduces the quality of judicial interpretation. Generalist judges may lack deep knowledge of technical tax issues, international tax law, or recent legal reforms, which can lead to inconsistent rulings or misinterpretation of crucial legal provisions.

6.17 Legislative and Policy Oversight Gaps

Bangladesh's Parliament holds formal authority over tax legislation via financial committees like the Public Accounts Committee (PAC), Estimates Committee (EC), and Public Undertakings Committee (PUC), yet scrutiny of tax laws, amendments, Statutory Regulatory

⁵⁷ <https://www.ti-bangladesh.org/articles/press-release/7252>

⁵⁸ https://en.wikipedia.org/wiki/National_Board_of_Revenue

⁵⁹ <http://etat.gov.bd/>

Orders (SROs), and budgets remains superficial with limited debate. This results in rushed approvals favoring special interests over public accountability.

6.18 Limited Parliamentary Engagement in Tax Lawmaking

Although Parliament has formal powers over financial legislation, in practice, the time and depth devoted by parliamentary committees to scrutinizing tax laws, amendments, SROs, and budget proposals are limited. Draft amendments or SROs are often pushed through with minimal debate or oversight. This limits democratic accountability and makes it harder to ensure that tax law changes reflect public interest rather than special interests.⁶⁰

6.19 Weak Public Consultation in Fiscal Legislation

Tax law changes are often introduced without broad public or stakeholder consultation. Businesses, NGOs, taxpayer associations, legal professionals, and academics have limited opportunities to review draft laws, suggest changes, or assess impacts. The lack of written regulation requiring public consultation in fiscal or tax law amendments weakens transparency and legal legitimacy.

⁶¹

6.20 Absence of Mandatory Regulatory Impact Assessments (RIAs)

Before introducing new tax laws, exemptions, or major SROs, there is usually no mandated process for assessing the legal, economic, social, or fiscal impact of the proposed changes. The lack of legally enforceable RIAs means that many reforms are introduced without a clear understanding of revenue gains/losses, distributive effects, compliance costs, or unintended consequences.

6.21 Digital and Technological Gaps in Legal Implementation

Bangladesh's tax laws lag behind the digital economy's growth in freelancing, e-commerce, and online services, with vague or absent definitions for taxable digital transactions, platforms, and cross-border activities creating evasion loopholes. Despite exemptions for many IT services, ambiguities persist in characterizing remote work income, digital ads, SaaS, and non-resident platform revenues, complicating NBR enforcement.

6.22 Lack of Legal Provisions for Digital Taxation

As economic activity digitizes—with freelancing, e-commerce, online services—the tax law has not fully kept pace. Legal definitions of taxable services, cross-border digital transactions, digital platforms, or remote work are often vague or absent, which creates loopholes for evasion or non-compliance.⁶²

6.23 Gaps in Data Protection and Cybersecurity Frameworks

With increasing use of digital tools (e-filing, online portals, integrated customs-VAT-income tax databases), there is a pressing need for legal frameworks to protect taxpayer data, ensure secure systems, and define liability in case of data breaches. At present, relevant laws on data protection are underdeveloped or not strongly enforced.

6.24 Incomplete Legal Integration of E-Filing and E-Governance Tools

⁶⁰ [https://www.parliament.gov.bd/uploads/pages/parliament-research_063506_The Financial Oversight Committees of the National Parliament \(1\).pdf](https://www.parliament.gov.bd/uploads/pages/parliament-research_063506_The%20Financial%20Oversight%20Committees%20of%20the%20National%20Parliament%20(1).pdf)

⁶¹ <https://thefinancialexpress.com.bd/views/pros-and-cons-of-the-new-income-tax-law>

⁶² https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5006260

Although e-filing, automated declarations, digital customs clearance (e.g., bonded imports etc.) have been introduced, the legal framework often lacks clear provisions on obligations, liabilities, audit rights, or dispute resolution in digital contexts. For example, misuse of bond facilities has been documented, and digital tracking has been used to bring some misuse under control, but not all sectors enjoy uniform digital legal mandates.

6.25 Gaps in International Taxation Framework

Bangladesh has partially incorporated BEPS measures into domestic law, notably through transfer pricing rules since 2014 under the Income Tax Act 2023 (Sections 108-117), but lacks full implementation of key actions like Controlled Foreign Corporations (CFC) rules, comprehensive treaty abuse prevention, and digital presence taxation. These gaps enable profit shifting by MNCs, costing Bangladesh an estimated \$692 **million in lost tax** revenue annually via base erosion techniques.

6.26 Inadequate Domestic Incorporation of BEPS Measures

Bangladesh has signed various international tax treaties and is aware of base erosion and profit shifting (BEPS) issues, but its domestic laws have only partially implemented global BEPS-aligned standards (on transfer pricing, controlled foreign corporations, treaty Abuse, etc.). Legal gaps remain in implementing rules to tackle profit shifting, digital presence, and other modern tax planning strategies.⁶³

6.27 Weak Legal Capacity to Enforce DTAAAs

Double Taxation Avoidance Agreements (DTAAAs) are only meaningful if they are enforceable in domestic law, with adequate judicial precedents, regulations, and administrative capacity. Bangladesh's legal system sometimes lacks clarity about how to interpret treaties, enforce foreign judgments, or counter treaty-shopping, and there are capacity constraints among tax officials in applying treaty provisions.⁶⁴

6.28 Legal Unpreparedness for Digital Economy Taxation

The rise of digital services, online platforms, cross-border intangible assets, cryptocurrencies, etc., poses new challenges that the older legal frameworks do not address adequately. There are gaps in laws covering digital goods and services, digital platforms' obligations, electronic signatures, cross-border data flow, and in establishing nexus or presence for taxation in digital context.⁶⁵

Summary of Identified Gaps

In summary, Bangladesh's legal and institutional framework for taxation suffers from multi-layered gaps. Legal gaps include outdated and fragmented laws, overreliance on executive discretion via SROs, absent legal protections for taxpayers, and a lack of definitional clarity for modern economic forms. Institutionally, the NBR and other revenue-related bodies face weak autonomy, poor coordination, capacity shortages, and insufficient oversight.

Judicial mechanisms are overburdened, lacking speed, specialized benches, or consistency. Legislative oversight, public consultation, and impact assessment in lawmaking are legally

⁶³ <https://legalseba.com/bd-articles/comprehensive-guide-to-transfer-pricing-in-bangladesh/>

⁶⁴ <https://legalseba.com/bd-articles/double-taxation-avoidance-procedure-in-bangladesh/>

⁶⁵ <https://www.globalvatcompliance.com/globalvatnews/bangladesh-vat-on-digital-services-some-services-attract-reduced-rate/>

under-mandated. Digital transformation has outpaced legal adaptation in many respects, and international treaty commitments are yet to be fully codified and enforced domestically.

These gaps collectively undermine the constitutional and legal promises of fairness, predictability, legality, and equity in taxation. Addressing them is critical not only for raising revenue but for strengthening legitimacy, trust, and governance. The next chapter will examine reform opportunities specifically designed to fill these gaps.

CHAPTER 7

CASE STUDIES AND EMPIRICAL INSIGHTS

7.1 Case Study: VAT Reform and Legal Implementation

One of the most significant reforms in Bangladesh's tax regime has been the overhaul of the VAT (Value Added Tax) system under the VAT and Supplementary Duty Act, 2012, which sought to modernize indirect taxation and increase revenue collection. The reform introduced a single standard VAT rate of 15%, revamped invoicing, attempted to reduce the number of exemptions, and improved regulatory oversight.

However, the legal implementation of VAT reform has encountered serious challenges. For example, according to *Press Reports on VAT and SD Act 2012*, business associations expressed concerns about multiple VAT rates, complex “truncated and package VAT” systems, and the power given to the VAT administration to freeze bank accounts of businesses without court instruction. These legal provisions—while intended to ensure compliance—have also been contested for excessive executive discretion and potential for abuse.

In particular sectors such as pharmaceuticals, compliance is especially difficult. A phenomenological study in the pharmaceutical industry found that external challenges (complex legal provisions, frequent regulatory changes, poor digital infrastructure), as well as internal administrative issues (shortage of specialist VAT consultants, excessive documentation, difficulties in managing input tax credits), significantly hamper legal and operational enforcement of VAT.

Furthermore, digitization efforts (e.g., VAT Online Project, e-filing) have been partial and slow to bring legal clarity around obligations in digital systems. Implementation gaps exist between what the law prescribes in statute and what is operational in practice, leading to revenue leakage, taxpayer frustration, and litigation risk.⁶⁶

7.2 Case Study: Tax Holiday Misuse through SROs

Tax holiday schemes and exemptions granted via Statutory Regulatory Orders (SROs) represent a recurring empirical example of legal-policy disconnect and misuse. One widely reported case concerns income tax write-off SROs that were scrapped in 2025 by the interim government after revelations that many were misdirected—that is, benefitting individuals or entities with no genuine connection to the sectors (like agriculture, fisheries) ostensibly incentivized by the SROs. These SROs allowed certain incomes to go untaxed under the guise of sectoral promotion, but in practice allowed high-income or politically connected entities to “whiten” undisclosed income.

Another case: welfare organizations have sometimes abused tax-exemption facilities meant for non-profit or charitable work to run profit-making operations. A Bangladesh Bank study cited by *The Daily Star* (2006) showed that many welfare organizations with foreign technicians, or operating in sectors like poultry, fisheries and horticulture, claimed exemptions improperly, leading to large revenue losses (Tk 9,345 crore in FY2005, some 2.5% of GDP) through both direct and indirect taxes.

Empirical data from tax expenditure reviews indicate that tax exemptions via SROs are large (some estimates put them at ~6–6.5 % of GDP) and often lack transparency, accountability, or

⁶⁶ <https://thefinancialexpress.com.bd/views/the-new-vat-regime-addressing-a-few-concerns-1561303024>

clear criteria. This results in base erosion and undermines legal equality if exemptions are granted selectively rather than according to fixed legal standards.⁶⁷

7.3 Case Study: Customs Disputes and Judicial Response

Customs disputes in Bangladesh illustrate delays, legal ambiguity, and weak dispute-resolution infrastructure. A notable example is a long-running case involving a telecom company that imported 360,000 SIM cards. The company declared the value at USD 145,800, but customs assessed a much higher value (USD 496,800). The dispute went through multiple levels: Commissionerate, review committee, the appellate tribunal, and eventually to the High Court. Despite a High Court directive in 2014 to hear the case within three months, the case remained unresolved more than a decade later.

Another institutional response has been the Introduction of Alternative Dispute Resolution (ADR) for customs disputes: for example, the NBR launched ADR in 2012 (Chittagong Customs House) to provide faster, amicable settlement of customs-related disputes with facilitators. This was meant to reduce the burden on courts and improve access to resolution.

The Customs, Excise and VAT Appellate Tribunal is legally empowered to adjudicate many such disputes, and its decisions can be appealed to the High Court. However, legal infrastructure, delays, and cost issues limit its effectiveness. The backlog in customs appeals is severe: as of late 2023, thousands of customs appeals remained unsettled, creating both legal uncertainty and revenue risk.

⁶⁸

7.4 Interview Highlights (if any – optional)

(Note: I carry out interviews with tax officials, legal experts or business representatives, this section would summaries key insights. Below are illustrative highlights based on reported studies, media, which indicates potential interview themes.)

- Many stakeholders (businesses, tax consultants) frequently cite that **frequent legislative changes** and the use of SROs make compliance unpredictable and planning difficult.
- Across sectors, the cost of compliance (document preparation, audit readiness, input tax credit reconciliation) is reported to be high, particularly for SMEs, which lack resource or legal assistance.
- Officials often point out that the lack of integrated legal databases and cross-wing coordination (between customs, VAT, income tax wings) hampers both enforcement and dispute resolution.
- There is concern that judicial mechanisms, while established, are slow, under-resourced, and sometimes lack judges with specialized tax law expertise.

These insights suggest strong demand for legal reforms from both sides (business community and administration) especially around clarity, speed, and fairness.⁶⁹

7.5 Comparative Snapshot: India, Nepal, Sri Lanka

Comparing Bangladesh's legal-institutional challenges with neighboring countries yields useful lessons:

- **India:** The introduction of the Goods and Services Tax (GST) required constitutional amendments and firm legal frameworks to reduce overlapping jurisdiction between federal and state governments. India also established specialized benches, uniform

⁶⁷ <https://www.bssnews.net/news/232217>

⁶⁸ <https://www.ti-bangladesh.org/articles/press-release/7252>

⁶⁹ <https://thefinancialexpress.com.bd/economy/case-backlog-traps-billions-as-revenue-disputes-drag-on>

definitions, and a detailed litigation framework, which despite being complex, has improved legal predictability.

- **Nepal:** Reforms in VAT and income tax have involved periodic review of exempted items, legal clarifications in tax treaty terms, and efforts to strengthen taxpayer rights. However, challenges remain around administrative capacity and rate evasion.
- **Sri Lanka:** Has experienced issues with tax holidays and exemptions. But its legal reforms have included better regulatory oversight, sunset clauses for exemptions, and greater transparency in tax incentive mechanisms. Sri Lanka has moved to strengthen its courts' capacity in tax law interpretation and enforce DTAA obligations more strictly.

From these comparative examples, Bangladesh can draw lessons in enacting sunset clauses for incentives, establishing specialized tax benches, enhancing legal uniformity (especially in VAT vs income tax definitions), strengthening access to dispute resolution and expediting judicial processes, and ensuring legal mandates for transparency in tax incentives.

These case studies and comparative insights help concretize the abstract gaps identified in earlier chapters. They show how legal and institutional deficiencies translate into revenue loss, legal uncertainty, and administrative inefficiency. The next chapter will build reform proposals directly addressing these empirical and comparative findings.⁷⁰

⁷⁰ <https://whiteandbrief.com/gst-dispute-resolution-gstat-tax-litigation/>

CHAPTER 8

REFORM OPPORTUNITIES AND POLICY RECOMMENDATIONS

This chapter presents concrete reform proposals to address the legal and institutional gaps identified in previous chapters. The recommendations are grouped into legal reforms, administrative/institutional reforms, judicial/dispute settlement reforms, political economy/governance reforms, and learning from global best practices. Wherever possible, suggestions are tied to recent policy initiatives and empirical evidence in Bangladesh.

8.1 Legal Reform Proposals

Bangladesh has made notable strides in consolidating its tax laws, including replacing the Income Tax Ordinance 1984 with the Income Tax Act 2023, which organizes provisions into 25 chapters and 345 sections for better clarity and alignment with international standards. Recent reforms also separate revenue policy from administration via the 2025 Revenue Policy and Management Ordinance, aiming to enhance transparency. Further updates, like the repeal and modernization of the Customs Act 1969 into Act No. 57 of 2023, address outdated colonial-era rules.

8.2 Legislative Clarity and Consolidation

To reduce confusion, misuse of discretion, and legal ambiguity, Bangladesh should undertake a comprehensive legislative review and consolidation of its tax laws. This could include:

- Consolidating fragmented statutes into unified tax codes (direct taxes code, indirect taxes code, etc.), standardizing definitions (e.g. “service”, “income”, “business”), rate classifications, and procedures.
- Repealing or updating outdated laws like the Customs Act 1969 or colonial-era excise and stamp duty statutes, where necessary, to match modern trade realities, digital goods and cross-border e-commerce.
- Ensuring that all tax amendment provisions or exemptions are clearly defined, transparent, and limited in duration unless renewed by the legislature.

Such clarity in law will help reduce litigation, improve predictability for taxpayers, and strengthen the legal basis for enforcement.⁷¹

8.3 Reforming the SRO Regime

The use of Statutory Regulatory Orders (SROs) for granting tax exemptions, altering procedures, or modifying rates without full parliamentary oversight has been a major concern. Reform could include:

- Enacting legal limits on what SROs may do: for instance, they should not alter basic tax rates or grant sweeping exemptions without legislative approval.
- Making all SROs publicly disclosed in a central repository, including those exempting specific sectors or grants, and imposing mandatory reporting to Parliament or an independent oversight body.
- Introducing sunset clauses for exemptions via SROs, meaning unless renewed, they expire after a fixed period. This encourages periodic review and accountability.
- Establishing clear criteria and cost-benefit / revenue-impact assessment obligations for any proposed SRO, possibly as part of Regulatory Impact Assessments (RIAs).

⁷¹ <https://www.dfdl.com/insights/legal-and-tax-updates/bangladesh-simplified-taxation-takes-center-stage-with-implementation-of-new-law/>

Recent policy proposals (e.g., the NBR reform committee, Revenue Policy Division proposals) suggest reviewing exemptions and rationalizing SRO usage.⁷²

8.4 Enshrining Taxpayer Rights in Law

Strengthening taxpayer rights is essential for equity, compliance, and legitimacy. Key reforms could include:

- Enacting a formal Taxpayer Rights Charter, specifying rights such as: timely notice of assessment, right to appeal, transparent audit process, protection from arbitrary or discriminatory treatment, privacy of taxpayer data, etc.
- Limiting discretionary powers that allow authorities to freeze bank accounts or undertake investigations without judicial oversight. Ensuring checks and balances.
- Mandating that dispute resolution timelines be defined in laws (e.g. a set period for each stage: assessment, appeals) and enforced.
- Providing legal assistance or mechanisms for low-income or small taxpayers in tax disputes.

Such legal protections help build trust, increase voluntary compliance, and reduce the burden on courts.⁷³

8.5 Administrative and Institutional Reforms

The Revenue Policy and Revenue Management Ordinance 2025, promulgated on May 12, 2025, by Bangladesh's interim government, dissolved the National Board of Revenue (NBR) and Internal Resources Division (IRD), establishing the Revenue Policy Division (RPD) for policy formulation, treaties, and research, and the Revenue Management Division (RMD) for administration, enforcement, audits, and collection. This separation aims to boost transparency, accountability, and efficiency in tax operations, addressing Bangladesh's low tax-to-GDP ratio of around 7.4%. Reforms faced pushback, including a 2025 NBR strike by officials concerned over promotions and leadership, leading to ordinance amendments allowing revenue cadre heads for both divisions

8.6 NBR Reform: Autonomy and Capacity Building

Recent policy changes in Bangladesh indicate an awareness of the need to reform NBR. In 2025, the interim government issued the Revenue Policy and Revenue Management Ordinance 2025, dissolving NBR and Internal Resources Division (IRD) and creating two separate units: a Revenue Policy Division (for policy, treaties, etc.) and Revenue Management Division (for administration, enforcement).

For this reform to succeed:

- The new agencies must have legally guaranteed tenure, authority, and operational autonomy—especially the policy wing—so that collecting and policy-making functions are not conflated.
- Capacity building is essential, especially for policy-making staff: legal experts, economists, international tax specialists to draft laws, analyze treaty matters, handle BEPS issues.
- Encouraging merit-based recruitment and training in tax law, digital auditing, compliance risk management. Strengthening specialized units like the Income Tax Intelligence & Investigation Unit (already formed in 2023) is a step but requires more legal backing and resources.⁷⁴

⁷² <https://jota.website/jota/article/download/13/151/599>

⁷³ <http://bdlaws.minlaw.gov.bd/act-1429.html>

⁷⁴ https://www.vdb-loi.com/bd_publications/major-overhaul-of-bangladeshs-tax-administration-new-ordinance-separates-revenue-policy-from-management/

8.7 ICT and E-Governance in Tax Administration

Modernizing tax administration through technology can help reduce cost, leakages, and discretion. Reforms in this area should include:

- Mandating e-filing, digital invoicing, electronic returns, and linking relevant databases (banking, customs, VAT, income tax).
- Ensuring legal provisions covering digital transactions, data security, electronic signatures, audit trails, liability in case of system failures.
- Deploying risk-based audit and compliance systems, using AI/data analytics to detect anomalies (fraud, evasion, under-reporting) while ensuring legal process protections.
- Ensuring that ICT deployment is accompanied by legal training for staff and clear legal frameworks for redress in digital administrative disputes.

8.8 Anti-Corruption and Oversight Mechanisms

To reduce misuse of discretion and rent-seeking:

- Strengthening internal audit, inspection, and integrity units within tax authorities with legally binding powers.
- Introducing or empowering external oversight bodies—the Auditor General, parliamentary committees, or independent revenue commissions—to monitor revenue administration, SRO usage, and exemption regimes.
- Creating whistle-blower protections for individuals reporting corrupt practices, backed by law.
- Mandating disclosure of revenue performance, tax expenditure reports, and details of exemptions/incentives in audited government budgets.

8.9 Judicial and Dispute Settlement Reforms

Fast-track tax courts address delays in tax dispute resolution by dedicating specialized judicial resources to tax matters. Countries worldwide have implemented similar reforms with strict timelines and simplified procedures for efficiency. These models demonstrate reduced case backlogs and faster justice delivery.

8.10 Establishment of Fast-Track Tax Courts

One major bottleneck in dispute resolution is delay. To address this:

- Establish special tax courts or fast-track judicial benches (at appellate or High Court level) dedicated to tax law matters, with specialized judicial staff trained in tax jurisprudence.
- Define strict timelines in law for each stage of the decision-making process (appeals, reviews) and require periodic performance reporting.
- Optionally, provide small claims or simplified dispute resolution for minor tax matters to reduce burden on higher courts and speed up justice.⁷⁵

8.11 Digital Case Management

Legal and judicial modernization should include digital tools:

- Case management systems in tribunals and appellate courts to track case status, deadlines, notifications to parties, and public case dockets.
- Allow online filing of appeals, submissions, hearings (where feasible), which would reduce costs and delays.

⁷⁵ https://en.wikipedia.org/wiki/Tax_court

- Ensure legal framework supports these procedures: e-filing rules, validity of electronic notices, record maintenance, evidence in digital form etc.

8.12 Political Economy and Governance Reforms

Strengthening parliamentary oversight of tax laws, Statutory Regulatory Orders (SROs), exemptions, and budgets addresses accountability gaps prevalent in countries like Bangladesh and Pakistan. In Bangladesh, where the user's location is Dhaka, finance committees such as the Public Accounts Committee (PAC) review audit reports but face resource shortages, political interference, and limited technical expertise, hindering effective scrutiny. Reforms mandating submission of all SROs—often used for ad hoc exemptions causing revenue losses—to Parliament for timely review would curb discretionary practices by bodies like the National Board of Revenue (NBR).

8.13 Parliamentary Oversight

Strengthening legislative oversight over tax laws, SROs, exemptions, and budgets is necessary to ensure accountability:

- Parliamentary finance committees should have sufficient time, technical resources, and legal mandate to examine tax bills and policy changes.
- Legislative provisions could require that all tax incentives or exemptions (especially via SROs) be submitted to Parliament for review within a specific time frame.
- Mandating audit reports or policy reviews to be tabled and debated in Parliament publicly.⁷⁶

8.14 Transparency and Disclosure of Tax Incentives

Incentives, exemptions, and tax holidays currently granted with limited visibility create inequalities and revenue leakage:

- Legally require full disclosure of all incentives and tax exemptions in an annual tax expenditure report, publicly accessible and audited.
- Use tools like sunset clauses and review mechanisms to ensure that tax incentives are effective, aligned with economic goals, and don't confer arbitrary benefits to connected entities.⁷⁷

8.15 Civil Society Engagement in Tax Policy

Promote participation, deliberation, and feedback in tax policy formulation:

- Legal requirement for public consultation when drafting or amending tax laws, especially with stakeholders like business associations, NGOs, legal professionals.
- Engagement through policy dialogues, hearings, white papers.
- Transparent publication of draft laws and explanatory memoranda to allow analysis of legal impact, costs, and benefits.

8.16 Learning from Global Best Practices

Bangladesh can look to international models for reform lessons:

- **Separation of policy and administration:** many jurisdictions (e.g. New Zealand, some OECD countries) separate policy-making bodies from revenue collection to avoid conflicts of interest and improve accountability. Bangladesh's 2025 Revenue Policy & Revenue Management Ordinance aligns with this.
- **Sunset clauses** and periodic reviews of tax incentives: used in many jurisdictions (e.g. Malaysia, South Africa) to avoid permanent or open-ended tax holiday regimes.

⁷⁶ <https://thefinancialexpress.com.bd/economy/govt-scraps-dozen-misdirected-income-tax-write-off-sros>

⁷⁷ <https://www.taxexpenditures.org/2024/12/09/tax-expenditures-in-france-and-other-countries/>

- **Specialized tax courts / benches:** India’s GST tribunal, and specialized benches in its High Courts, help in handling tax-specific litigation more efficiently.
- **Digital taxation frameworks:** integrating BEPS and OECD-recommended models for digital services taxation, transfer pricing, and e-invoicing.
- **Transparent tax expenditure reporting:** Practices in the UK, Australia, or Canada where legislation requires annual reports on tax expenditures, exemptions, and the fiscal impact.

By adapting these practices thoughtfully to local context—legal tradition, administrative capacity, political constraints—Bangladesh can design reforms that are both effective and sustainable.

Conclusion

Legal reforms, when combined with institutional strengthening, judicial modernization, governance enhancements, and learning from global best practices, offer a pathway for Bangladesh to close many of the gaps identified in earlier chapters. These reforms will not only help raise revenue but also enhance equity, predictability, legal legitimacy, and public trust in taxation. Implementation will require strong political commitment, coordination across government branches, and genuine stakeholder engagement.

CHAPTER 9

CONCLUSIONS AND RECOMMENDATIONS

9.1 Summary of Key Findings

This thesis has explored the legal dimension of taxation and public revenue in Bangladesh, uncovering how law, institutions, and governance interact to shape revenue performance. The key findings are:

- The constitutional and statutory foundation for taxation (e.g. Article 83 mandating that taxes be imposed by or under an Act of Parliament) provides a formal basis for legality, but is undermined in practice by frequent use of SROs and executive discretion.
- The tax statutes (Income Tax Act, VAT Act, Customs Act, excise and stamp duty laws) are fragmented, sometimes outdated, and difficult to reconcile, creating ambiguities and loopholes that reduce enforceability.
- The institutional architecture (NBR, Ministry of Finance, tax tribunals, courts) faces weak autonomy, limited technical and legal capacity, coordination problems, and political pressure—weakening effective implementation.
- Administrative hurdles, including low taxpayer compliance and morale, the large informal economy, rent-seeking and corruption, and legal delays in dispute resolution, further degrade revenue outcomes.
- Judicial and dispute resolution systems suffer from backlog, lack of specialization in tax law, slow appeals, and limited access for smaller taxpayers.
- Legal, legislative, and oversight gaps—such as weak parliamentary scrutiny of tax laws, absence of mandatory regulatory impact assessments, and limited public consultation—mean many tax reforms or exemptions are poorly evaluated or contested.
- The digital and international tax domains are especially under-legislated: Bangladesh lacks robust legal provisions for digital transaction taxation, data protection in tax systems, full incorporation of BEPS (Base Erosion and Profit Shifting) standards, and enforceable treaty mechanisms.
- Comparative and case study evidence (VAT reform, misuse of tax holidays via SROs, customs disputes) show that legal and institutional weaknesses translate directly into revenue leakage, legal uncertainty, and inequitable tax burdens.
- Reform opportunities are rich but must be coordinated: legal consolidation and clarity, SRO reform, codifying taxpayer rights, strengthening NBR’s structure and autonomy, embedding ICT and digital tax tools, judicial modernization (fast-track courts, e-case management), transparency and oversight, and adapting global best practices—all tailored to Bangladesh’s political economy.

In sum, the legal dimension is not peripheral—it is central. The barriers to higher revenue mobilization are not purely technical or economic; they are deeply legal, institutional, and political as well.

9.2 The Need for an Integrated Legal-Administrative Approach

One of the principal lessons from this study is that legal reform and administrative reform must go hand in hand. Strengthening the law without reforming institutions leads to poor enforcement; improving capacity without clarifying legal rules leads to confusion and arbitrariness. An integrated approach means:

1. **Synchronizing legal amendment and institutional capacity development:** when new tax laws or regulations are adopted, the tax administration must be legally empowered, trained, and resourced to implement them.

2. **Embedding oversight, transparency and accountability mechanisms legally:** so that institutions do not drift toward discretion or capture even after reforms.
3. **Fostering legal predictability and trust over time,** which raises voluntary compliance and reduces litigation burdens.
4. **Adapting reforms to political realities:** legal reforms must be designed to anticipate resistance, distribute benefits, and build coalitions to sustain change.

In the Bangladesh context, reforms like the 2025 ordinance dissolving NBR into Revenue Policy and Revenue Management divisions should be more than structural—they should come with legally binding functional definitions, accountability pathways, and safeguards to prevent backsliding or ad hoc changes. (See debates around the 2025 NBR reforms and strike by NBR officials) [Reuters](#)+2[Wikipedia](#)+2

Only through such integration can the legal and administrative subsystems reinforce each other and produce sustained improvements in revenue performance.

9.3 Final Recommendations

Based on the analysis, the following consolidated recommendations are proposed:

1. **Enact a unified tax code** that consolidates direct, indirect, customs, excise, and stamp laws, with harmonized definitions and clear procedural rules.
2. **Institute robust limits on SROs:** define what they may (and may not) do, require parliamentary review, transparency, and sunset clauses.
3. **Codify taxpayer rights**—notice, appeal, audit safeguards, data privacy, timely resolution—and provide legal support for small taxpayers.
4. **Grant NBR (or its successor divisions) institutional and functional autonomy,** with merit-based recruitment, fixed tenure for leaders, and statutory protection from political interference.
5. **Invest heavily in human and technical capacity,** especially in tax law, data analytics, international taxation and digital audit skills.
6. **Fully legislate e-governance in taxation:** e-filing, e-invoicing, digital audit trails, integration of databases, with appropriate legal safeguards around privacy and liability.
7. **Launch fast-track tax courts / specialized benches,** set enforceable time limits for appeals, adopt digital case management systems, and make tribunal decisions binding unless overturned by higher courts under strict grounds.
8. **Strengthen legislative and public oversight:** require cost-revenue impact assessments, public consultation before new tax measures, and annual tax expenditure reports subject to parliamentary review.
9. **Engage civil society, academia, taxpayer associations** in tax policy dialogues to build legitimacy, identify legal gaps, and pre-test reforms.
10. **Domesticate international standards** (BEPS, digital services taxation, treaty abuse rules) in domestic legislation and build capacity to enforce them.

Implementation should follow a phased plan—with priority on clarifying law, building institutional backbone, piloting digital systems, and monitoring progress via defined indicators.

9.4 Areas for Future Research

This thesis lays a legal and institutional diagnosis, but many empirical questions remain. Future research may include:

- **Quantitative measurement of revenue loss** due to SRO exemptions, litigation delays, or tax avoidance in specific sectors.
- **Behavioral studies of taxpayer compliance:** surveying how legal clarity, perceptions of fairness, or knowledge affect tax morale in Bangladesh.
- **Impact evaluation of digital tax tools:** assessing how e-filing, automated audits, or data integration reduce evasion or improve revenue.
- **Comparative legal studies** on how neighboring jurisdictions (India, Sri Lanka, Nepal) structure tax courts, digital taxation rules, or sunset regimes for incentives.
- **Case studies of reform implementation:** examining how proposed legal reforms play out in practice, monitoring pitfalls, resistance, and unintended consequences.
- **Legal institutional change over time:** tracking whether and how new legal or institutional changes persist or regress under political shifts.

By combining legal scholarship with empirical and comparative inquiry, future studies can support adaptive, evidence-based reform in Bangladesh's tax system.

Bibliography

- I. Ahmed, S., 2024. *Institutional dimensions of tax reforms in Bangladesh*. In: S. Rahman, ed. 2024. *Is the Bangladesh Paradox Sustainable?* Cambridge: Cambridge University Press, Ch. 6.
- II. Cambridge University Press, 2024. *Institutional Dimensions of Tax Reforms in Bangladesh*. [online] Available at: <https://www.cambridge.org/core/books/is-the-bangladesh-paradox-sustainable/institutional-dimensions-of-tax-reforms-in-bangladesh/B5943BF2FF02144F107473C7BCCB5620> [Accessed 8 Oct. 2025].
- III. The Financial Express, 2025. *Govt scraps dozen misdirected income tax write-off SROs*. [online] Available at: <https://thefinancialexpress.com.bd/economy/govt-scraps-dozen-misdirected-income-tax-write-off-sros> [Accessed 7 Oct. 2025].
- IV. Prothom Alo, 2025. *NBR, IRD dissolved: One agency to impose taxes, others to collect*. [online] Available at: <https://en.prothomalo.com/business/local/a8ndw6rma5> [Accessed 7 Oct. 2025].
- V. Prothom Alo, 2025. *Govt explains why it abolished NBR*. [online] Available at: <https://en.prothomalo.com/business/local/zwt5i3h48h> [Accessed 7 Oct. 2025].
- VI. Prothom Alo, 2025. *CPD survey findings: Revenue officials viewed as corrupt by 72 pc of businessman*. [online] Available at: <https://en.prothomalo.com/business/local/uk5vattprx> [Accessed 7 Oct. 2025].
- VII. Transparency International Bangladesh (TIB), 2025. *Revenue System at Risk of Executive Control – Ordinance Analysis*. [online] Available at: <https://ti-bangladesh.org/articles/press-release/7252> [Accessed 7 Oct. 2025].
- IX. Prothom Alo, 2025. *No possibility of dissolving NBR right now: Finance Ministry*. [online] Available at: <https://en.prothomalo.com/bangladesh/vj53rgaxoa> [Accessed 7 Oct. 2025].
- X. bdnews24.com, 2025. *Why NBR staff are demanding repeal of split ordinance*. [online] Available at: <https://bdnews24.com/bangladesh/a55f2ee5082f> [Accessed 7 Oct. 2025].
- XI. Dhaka Tribune, 2025. *Four NBR officials suspended over revenue reform protest*. [online] 18 Aug. Available at: <https://www.dhakatribune.com/bangladesh/corruption/389318/four-more-nbr-officials-suspended> [Accessed 7 Oct. 2025].
- XIII. BSS News, 2025. *NBR is split to broaden tax base, improve efficiency: Govt*. [online] 13 May. Available at: <https://www.bssnews.net/news-flash/272425> [Accessed 7 Oct. 2025].
- XIV. Dainik Banglar Barta, 2025. *Interim Government Explains Dissolution of NBR Amid Major Tax System Overhaul*. [online] Available at: <https://english.dainikbanglarbarta.com/newsDetail/interim-government-explains-dissolution-of-nbr-amid-major-tax-system-overhaul> [Accessed 8 Oct. 2025].
- XVI. EDI/OPML, n.d. *Bangladesh Institutional Diagnostic – Chapter 7: Institutional dimensions of tax reforms in Bangladesh*. [online] Available at: <https://edi.opml.co.uk/resource/bangladesh-institutional-diagnostic-chapter-7> [Accessed 7 Oct. 2025].
- XVIII. TBS News, 2025. *ACC launches inquiry into 5 more NBR officials over alleged illegal wealth, corruption*. [online] 1 July. Available at: <https://www.tbsnews.net/bangladesh/acc-launches-inquiry-5-more-nbr-officials-over-alleged-illegal-wealth-corruption-1178396> [Accessed 8 Oct. 2025].
- XIX. TBS News, 2025. *NBR split to fail if corruption persists, warn experts*. [online] Available at: <https://www.tbsnews.net/nbr/nbr-split-fail-if-corruption-persists-warn-experts-1247431> [Accessed 7 Oct. 2025].
- XX. TBS News, 2025. *NBR split to fail if corruption persists, warn experts*. [online] Available at: <https://www.tbsnews.net/nbr/nbr-split-fail-if-corruption-persists-warn-experts-1247431> [Accessed 7 Oct. 2025].

- XXI. Wikipedia, n.d. *National Board of Revenue*. [online] Available at: https://en.wikipedia.org/wiki/National_Board_of_Revenue [Accessed 8 Oct. 2025].
- XXII. National Board of Revenue (NBR), n.d. *Annual Reports and Tax Statistics*. [online] Available at: <https://nbr.gov.bd> [Accessed 8 Oct. 2025].
- XXIII. Ministry of Finance, Government of Bangladesh, n.d. *Finance Acts, Budget Speeches, and Revenue Forecasts*. [online] Available at: <https://mof.gov.bd> [Accessed 8 Oct. 2025].