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Resource Mobilization through Tax Revenue: A Comparative Study of Bangladesh and Sri Lanka

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Abstract

The main objective of this study is to analyze and compare the current tax structure in Bangladesh and Sri Lanka in terms of different tax mix. The study considered secondary data from 2005-2006 to 2014-2015. Although it has been observed that both the countries are suffering from poor Tax–GDP ratio, Sri Lanka is in a better position (12.4) comparing to Bangladesh (9.9). Indirect tax contributes the maximum share of tax revenues in Sri Lanka (82.6%) followed by Bangladesh (62.38%). In Sri Lanka, Customs duty plays the leading role, whereas in Bangladesh VAT is in dominance. Considering the direct tax contribution, Bangladesh plays better than Sri Lanka. The study reflects the issue that tax evasion and avoidance, poor tax administration is the main problem of poor tax performance in both the countries. But, overcoming such obstacles through appropriate reform measures, both the countries have potential to improve resource mobilization through tax.

Keywords: Tax Structure, Tax revenue. Direct tax, Indirect tax, Tax GDP ratio

1. Introduction

As the ruler of a country, any government has to perform several functions including both obligatory and optional. To accomplish its duties and functions, the government requires significant amount of resources which they mainly collect from the public as public revenue. Tax revenue is one of the most important sources of government revenues. The main drive of taxation is to arrange resources to finance government expenditure in a way that is administratively reasonable, justifiable and resourceful (Burgess & Stern, 1993). Generally, tax is referred as the revenue or contribution received from the citizens to run the country. It is a compulsory payment to the government without expectation of direct benefit or return by the taxpayer (Shil, Masud & Alam, 2017). Only the government has the authority to impose tax on its citizens, failure to pay which will be punishable by law. The role of tax revenue towards the financing of government activities is becoming greater from period to period, as the income from non-tax revenue sources is not stable anymore (Damayanti, Sutrisno, Subekti&Baridwan,2015, p. 180). There is a positive and significant relationship between tax capacity and the level of development, trade, and education (Pessino & Fenochietto, 2010, p. 65).

According to Article 152(1) of the Constitution of Bangladesh, taxation includes the imposition of any tax, rate, duty or impost, whether general, local or special, and tax shall be construed accordingly. The National Board of Revenue (NBR) is the central authority for tax administration in Bangladesh. NBR collects almost 84% of total government revenue of the country (Bangladesh. Ministry of Finance, 2017). Following a multiple tax system, Bangladesh tax structure consists of both direct and indirect taxes. Income tax is the main source of direct taxes and from VAT, Customs duty and supplementary duty most of the indirect taxes are collected. Some major tax laws are the Income Tax Ordinance 1984, The Value Added Tax Act 1991, and The Customs Act 1969.

On the other hand, the Customs Department, Inland Revenue Department (IRD)and the Excises Department of the Government of Sri Lanka are responsible for collecting revenue for the government as well as to foster and facilitate a beneficial tax culture. In 2016, tax collections of these departments accounted for 56.8%, 31.8% and 8.2% of the total tax revenue respectively (The Ceylon Chamber of Commerce, 2017). Unlike Bangladesh, Sri Lanka tax structure also consists of both direct and indirect taxes. Indirect tax share in total tax revenue was 82.6% in 2016, the highest share on record since 2010 (The Ceylon Chamber of Commerce, 2017). Income tax is the main source of direct tax and of indirect taxes, VAT, Foreign Trade Taxes, customs duty and excise duty contribute maximum. Some major tax laws are the Inland Revenue Act 2017, the Value Added Tax Act 2002, and the Nation Building Tax Act 2009.

2. Problem Statement

Despite several reform measures, SAARC countries have achieved only limited and erratic success in mobilizing resources through tax revenue. Tax-GDP ratios in most of these countries remain below cross country averages and are considered inadequate to ensure social welfare and to meet the required government expenditure. Despite remarkable GDP growth in the past decade, mobilizing resources through the growth in tax revenue has been sluggish, and the Tax-GDP ratios have been either stagnated or declined (Gupta, 2015, p. 1). Fiscal deficit is an enduring problem in most of the SAARC countries, including Bangladesh and Sri Lanka. Both the countries have been taking several reform measures to enhance their tax revenue as it is one of the best sources in order to finance budget deficit.

3. Literature Review

Tax revenue is the prime source of government revenue. Taxes are levied not only for revenue purposes but are also used to tackle income inequality, improve economic stability and ensure the efficient allocation of resources (Steenekamp, 2007, p. 1). The existence of an ideal tax policy is a vital tool for the economic development of any country. Regardless of the economy and country size, tax revenue has become a governing factor in mobilizing resources in any country for development, both from direct or indirect sources. From the revenue mobilization view, Wang (2007), Padovano &Galli (2002), and Brown (2002) argued that tax has a significant impact on economic growth. As per Bilquees (2004), taxes are the financial blood supply in the economy, being a major source of financing contributing towards country's public expenditures (Social, political and economic costs) for improving the living conditions and social welfare. Public expenditure rises with higher development levels, generating pressure to mobilize revenue (Ferranti, Perry, Ferreira & Walton, 2004, p. 9).

Mukarram (2001) also mentioned in her study that direct tax has much more potential to be effectively utilized and will contribute most to the government revenue subject to the use of proper strategy, followed by sales tax. Furthermore, changes in policy will give substantial impact on revenue elasticity besides changes in real income growth and inflation (Creedy & Gemmell, 2004).

Sometimes, a common colonial heritage could also lead to a certain integration of taxation patterns connecting to specific economic structures and patterns of world market integration (Mkandawire 2010). In some cases, the relation between political variables and tax revenue appears to be region-specific (Profeta, Puglisi & Scabrosetti, 2011). On the other hand, countries dependent on aids sometimes may be tempted to refrain from additional domestic revenue mobilization – unless the tough conditions to get the aid lead the governments actively to seek independence from the aid (Carter, 2010; Clist & Morrissey, 2011).

Financing for development requires developing countries to improve their domestic revenue mobilization, but many low and lower-middle income countries may be failing to tap their full revenue potential (International Monetary Fund, 2011). The problem faced by most of the developing countries -- and this of course includes Bangladesh and Sri Lanka-- is that developing countries face many generic and specific obstacles in implementing tax systems that can meet their unique needs and that will also finance the adequate level of government expenditure in the most efficient way (Tanzi & Zee, 2000). It is a common phenomenon that half or more of potential income tax remains uncollected (Bird, 1998). Trade taxes are relatively easy to collect and have historically been a major share of tax revenue in low-income countries (Aizenman & Jinjarak, 2009) Tax policies in practice differ intensely between richer and poorer countries. Richer countries rely primarily on broad-based income and consumption taxes and make little use of tariffs as source of revenue. In contrary, poorer countries make much less use of broad-based taxes, relying on excise taxes and tariffs. Corruption and red tape are also more common in poorer countries (Gordon & Li, 2009).

While personal income taxes form a significant proportion of tax revenues in high-income countries (around 9-11% of GDP), developing countries raise only around 1-3% of GDP from personal income tax (Peter, Buttrick & Duncan, 2010). Tax Administrations are often under-resourced, resources are not effectively targeted at areas of greatest impact and mid-level management is very weak. Domestic and customs coordination is weak, which is especially important for VAT. Weak administration, poor governance and corruption tend to be associated with low revenue collections (IMF, 2011). As such, the quality of public services and trust in government tends to improve with rising tax effort (Bergman, 2002; Leite & Weidmann, 1999). With low or no domestic taxation and a heavy dependence on resource taxation, this link is ruptured (Knack, 2009).

Medina & Schneider (2017) has attempted to estimate the size and development of the shadow economy of 158 countries over the period 1991 up to 2015. The result of the study suggest that the average size of the shadow economy of these 158 countries over 1991-2015 is 32.5% of official GDP, which was 34.82% in 1991 and decreased to 30.66% in 2015. The average size for SAARC countries was 32.05%, where Bangladesh and Sri Lanka have been representing 33.57% and 45.50% respectively for the period. Tax collection from such informal sector is almost zero. Moreover, Chand & Moene (1997) argue that fiscal corruption is a key factor behind the poor revenue performance in a number of developing countries. There is also strong evidence to suggest that measures taken to reduce corruption could be expected to enhance tax revenue significantly (Gupta, 2007). Tanzi & Shome (1993) argued that tax evasion lowers productivity, results in biased views and behavior of people about public sector in most of developing countries. The firm enforcement of law, quick case processing in court and higher penalties to tax evaders may play a vital role to alleviate the scope of tax evasion and avoidance as found by Fishlow & Friedman (1994).

Most of the tax gap in developing countries comes from noncompliance by individuals and businesses participating in officially recorded economic activities, who are either failing to file tax returns, underreporting tax owed on tax returns, or failing to pay taxes due on time (Rahman & Yasmin, 2008). But the tax gap also includes tax evasion by participants in illegitimate activities in the subversive financial system (Rashid, 2007), that is, the portion of economic activity that goes through shadow economy and being unrecorded in official economic statistics. These groups are informal suppliers, such as moonlighting professionals who work ‘‘off the books’’ and do not report income or taxes owed (Chowdhury, 2008).

Lutfunnahar (2007) identified the determinants of tax share and revenue performance for Bangladesh along with 10 other developing countries for the 15 years through a panel data analysis. The results obtained suggest international trade, broad money, external debt and population growth to be significantly determinants of tax efforts. The study concluded that Bangladesh and other countries have low tax effort (less than unity index) and are not utilizing their full capacity of tax revenue and therefore have the potential for financing budgetary imbalance through raising tax revenue.

Amirthalingam (2013) stated that Sri Lanka has not been successful in raising adequate tax revenue to meet its public expenditure on general public services, social services, economic services, *etc*. The country faces several issues such as low level tax ratio with declining trend, slow structural change of tax composition, dismal outcome even after changing of tax system and low level of efficiency and productivity of Value Added Tax (VAT).

Shil et. al. (2017) mentioned, attaining an optimal tax structure is one of the most important issues for the government to increase the revenue generation from taxes for accelerating growth and to improve the quality of life of the citizens.

4. Methodology

The study is descriptive in nature. The main objective of the study is to evaluate the comparative state of resource mobilization through tax revenue in Bangladesh and Sri Lanka. To achieve the primary objective, the study has focused the following specific objectives:

- To have a comparative picture of the economic status of Bangladesh and Sri Lanka
- To identify the salient features of the tax structures of both the countries
- To compare the overall tax performance of Bangladesh and Sri Lanka

- To compare between direct and indirect tax performance of Bangladesh and Sri Lanka

To evaluate the tax performance, the study has considered ten fiscal years statistical data of Bangladesh and Sri Lanka covering period from 2005-2006 to 2014-2015.The study is based on secondary data and archival resources. Tax data and relevant other information has been collected from different editions of Bangladesh Economic Review, National Board of Revenue (Bangladesh) Annual Reports, different editions of Economics & Social Statistics of Sri Lanka, Central Bank of Sri Lanka Annual Reports.

In the study, the tax performance of Bangladesh and Sri Lanka has been evaluated using descriptive statistics, tabular analysis and graphical presentation to have a comparative picture. In this regard, the study considered overall tax performance, tax-GDP ratio, revenue-GDP ratio, share of direct and indirect taxes, tax growth rates, Ease of Paying Taxes etc.

5. Findings and Analyses

5.1 Bangladesh vs. Sri Lanka: A Comparative Review of Current Economic Status

Bangladesh is a lower income, least developed economy located in South Asia with current estimates of its population being around 157.8 million in an area of 148,460 square kilometers. However, with limited land area it is the eighth most populous country in the world with a population density of around 1,252persons per sq. km. In 2016, Bangladesh's GDP was $221.42 Billion (current) which grew at 7.1% in 2016 which places it 44th ranking in the world based on World Bank 2016 figures (CIA World Factbook, 2017; World Bank, 2016).

On the other hand, Sri Lanka is a lower-middle income country, located in South Asia with a population of around 22.41 million in an area of 65,610 square kilometers. It's ranking is 58 in terms of the populous country in the world with a population density of 333 persons per sq. km. In 2016, Sri Lanka's GDP was $81.32 Billion (current) which grew at 4.4% in 2016 and placed 65th ranking in the world based on World Bank 2016 figures (CIA World Factbook, 2017; World Bank, 2016). The following table depicts a comparative idea between the economy of Bangladesh and Sri Lanka:

Area of Comparison	Bangladesh	Sri Lanka
GDP at current market price (PPP)	$628.4 billion (2016)	$80.52 billion (2016)
GDP real growth rate	6.9% (2016) 6.7% (2014-2016)	4.4% (2016) 4.73% (2014-2016)
GDP per capita	$3,900	$12,300
Industrial production growth rate	8.4%	6.7%
Unemployment rate	6.1%	4.0%
Population below poverty line	29.5% (2013 est.)	6.7% (2012 est.)
Tax GDP ratio	10.5	14.1
Budget deficit	5.1% of GDP	5.3% of GDP
Inflation rate (CP)	6.4%	4.0%
Exports	$33.32 billion	$10.31 billion
Import	$39.17 billion	$19.4 billion

Table – 1: Bangladesh vs. Sri Lanka : Current Economic Status
Source: CIA World Factbook, 2017

5.2 Common Features of Bangladesh and Sri Lanka Tax Structure

The tax system in Bangladesh is among the least effective tax systems in the world, characterized by manual administration, low revenue, and high levels of discretion and corruption, weak policy framework, very limited administrative modernization, a high degree of administrative fragmentation, significant human resource constraints, and weak enforcement mechanisms (Hasan & Prichard, 2016). Despite taking several reform measures, Bangladesh has attained a tax-GDP ratio of 10.8, one of the lowest in SAARC countries. On the other hand, despite having a better tax-GDP ratio of 12.4, Sri Lanka has not been successful in raising adequate tax revenue to meet its public expenditure. The country faces several issues such as low level tax ratio with declining trend, slow structural change of tax composition, dismal outcome even after changing of tax system and lowl evel of efficiency and productivity of Value Added Tax (Amirthalingam, 2013).

The tax structure of both the countries consists of both direct and indirect taxes. Both the tax systems have witnessed several reform measures over the last two decades leading to the modernization of tax system. Some of the common reform measures are, redrafting complex and outdated tax laws, rationalization of various tax rates, introduction of self-assessment scheme for income tax filing, expansion of VAT and other consumption taxes scope, rationalization of customs duty and tariff structure, introduction of automation and use of IT etc. Moreover, both the countries have taken several comprehensive and continuous plans to re-structure and modernize the entire tax administration and customs operations. These high profile tax reform efforts have faced almost across-the-board resistance from political, economic, and administrative elites (Hasan & Prichard, 2016; Amirthalingam, 2013).

Despite the aforementioned reform measures, the ability of the governments to raise tax revenue is constrained by a number of factors which in turn have contributed to the very low level of tax collection. Kaldor (1963) argued that for a country to become "developed" it needs to collect taxes at 25-30 per cent of GDP. International empirical evidence on tax-GDP ratio has 40 per cent, 25 per cent and 18 per cent as the average tax ratios for high, middle and low-income countries respectively (Gallagher, 2005).Another study has shown the international empirical evidence on tax ratio has been 36 per cent, 28.8 per cent and 16.5 percent and 13.9 per cent as the tax ratios for high- income, upper middle income and lower middle income and low income countries respectively in 2004/2005/2006 (Pessimo & Fenochietto, 2010). Having a tax-GDP of 10.8 and 12.4 respectively in 2015, both Bangladesh and Sri Lanka are witnessing its failure to mobilize its resources through tax revenue.

The weaknesses in the tax system and tax administration have contributed to the very low level of tax collection in both the countries, undermining the government's capacity to ensure the social welfare and necessary public services. Despite having untiring effort through various fiscal reforms of the recent past, both the tax systems continues to suffer from a number of major structural weaknesses namely narrow tax base, inconsistent tax policy, low compliance level, excessive exemptions, low coverage and weak audit and enforcement, poor co-ordination among various tax departments etc. Tax evasion and avoidance, the extent of the informal economy and lack of transparency is also a major problem in the current tax systems (Shil et. al, 2017).

5.3 Bangladesh vs Sri Lanka: Overall tax performance

The following tables depict a comparative idea about the overall tax performance of Bangladesh and Sri Lanka for recent ten years (2005-06 to 2014-15):

	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
Bangladesh	9.3	9.0	9.6	9.8	10.0	10.4	10.9	11.6	11.7	10.8
Sri Lanka	16.8	17.3	16.6	15.6	15.0	13.0	13.6	12.2	12.0	11.6

Table – 2: Revenue-GDP ratio
Source: Bangladesh Economic Review 2017&Economics & Social Statistics of Sri Lanka, CBS2017

	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
Bangladesh	7.5	7.1	7.6	7.9	8.0	8.6	9.1	9.7	9.7	9.9
Sri Lanka	13.7	14.6	14.2	13.3	12.8	11.3	11.3	10.4	10.5	10.1

Table – 3: Tax-GDP ratio
Source: Bangladesh Economic Review 2017 &World Bank (2005-2015)

	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15
Bangladesh	1.8	1.9	2.0	1.9	1.9	1.8	1.8	1.9	2.0	1.5
Sri Lanka	3.1	2.7	2.4	2.3	2.2	1.7	2.3	1.8	1.5	1.5

Table – 4: Non-tax-GDP ratio
Source: Bangladesh Economic Review 2017&World Bank (2005-2015)

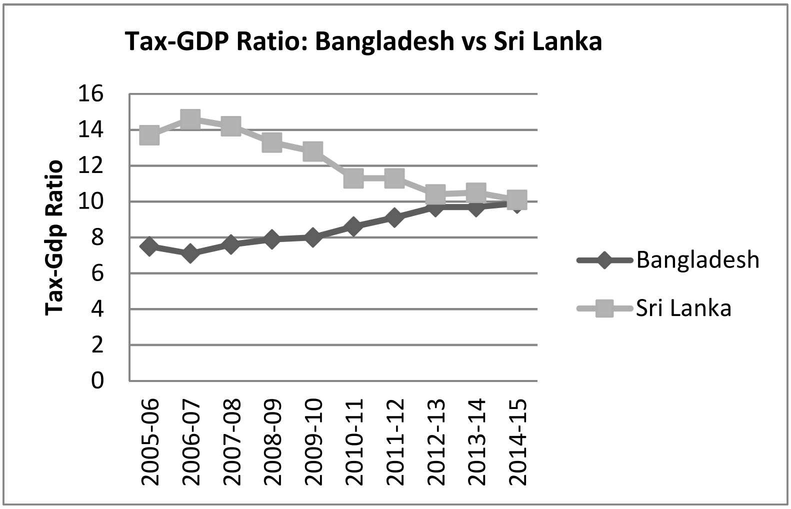

Figure – 1

Table 2, 3 and 4 depicts it clearly that throughout the period there was an increasing trend in the revenue-GDP ratio in Bangladesh. On the other hand, in case of Sri Lanka, during the period the trend was decreasing although it was greater than Bangladesh.

In case of Tax-GDP ratio, Bangladesh was able to maintain the upward trend whereas Sri Lanka's performance is showing a decreasing trend, although it has always exceeded Bangladesh. The non-tax revenue-GDP ratio was almost stable in 2 percent during the whole period in Bangladesh whereas in Sri Lanka it varied from 1.5 to 3.1. Table 5 provides us with the status of Bangladesh and Sri Lanka's Revenue-GDP ratio among SAARC countries which indicates their poor level of competence in revenue mobilization comparing to other countries:

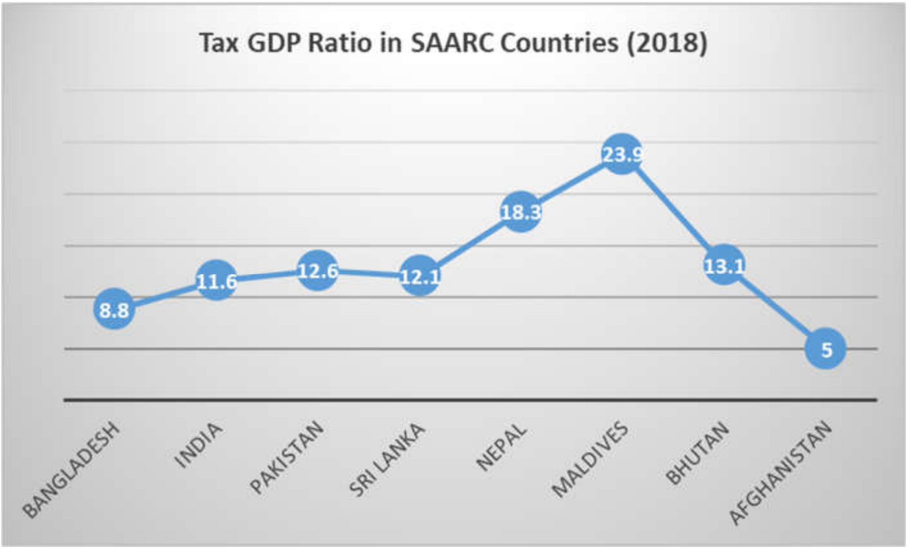

Figure – 2: Tax GDP Ratio: SAARC Countries

Bangladesh	India	Pakistan	**Sri Lanka**	Nepal	Maldives	Bhutan	Afghanistan
8.8	11.6	12.6	**12.1**	18.3	23.9	13.1	5.0

Table – 5: Tax-GDP ratio in South Asian (SAARC) Countries - 2018 (% of GDP)

Source: Heritage Foundation (2018). "2018 Macro-economic Data"; India – MoF, India

	Bangladesh			Sri Lanka		
Years	Total Revenue (Crore Taka)	Tax revenue as a % of Total Revenue	Non-Tax revenue as a % of Total Revenue	Total Revenue (Rs Million)	Tax revenue as a % of Total Revenue	Non-Tax revenue as a % of Total Revenue
05-06	44868	80.63	19.37	379746	88.7	11.3
06-07	49472	79.33	20.67	477833	89.7	10.3
07-08	60539	79.31	20.69	565051	90.1	9.9

08-09	69180	80.26	19.74	655259	89.4	10.6
09-10	79484	80.46	19.54	699644	88.5	11.5
10-11	95187	83.05	16.95	817279	88.7	11.3
11-12	114885	83.81	16.19	967862	87.4	12.6
12-13	139670	83.64	16.36	1051460	86.4	13.6
13-14	156671	83.09	16.91	1137447	88.4	11.6
14-15	163371	86.11	13.89	1195206	87.9	12.1

Table – 6: Revenue collection

Source: Authors calculation of data collected from Bangladesh Economic Review 2017&Central Bank of Sri Lanka(http://www.cbsl.gov.lk/htm/english/08_stat/s_4.html)

	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	Avg.
Bangladesh	8.49	22.33	15.65	15.18	23.60	21.80	21.33	11.43	8.07	16.43
Sri Lanka	27.18	18.81	15.07	5.69	17.10	16.69	7.48	10.67	4.42	13.68

Table – 7: Growth in Tax Revenue Collection

Source: Authors calculation of data collected from Bangladesh Economic Review 2017&Central Bank of Sri Lanka (http://www.cbsl.gov.lk/htm/english/08_stat/s_4.html)

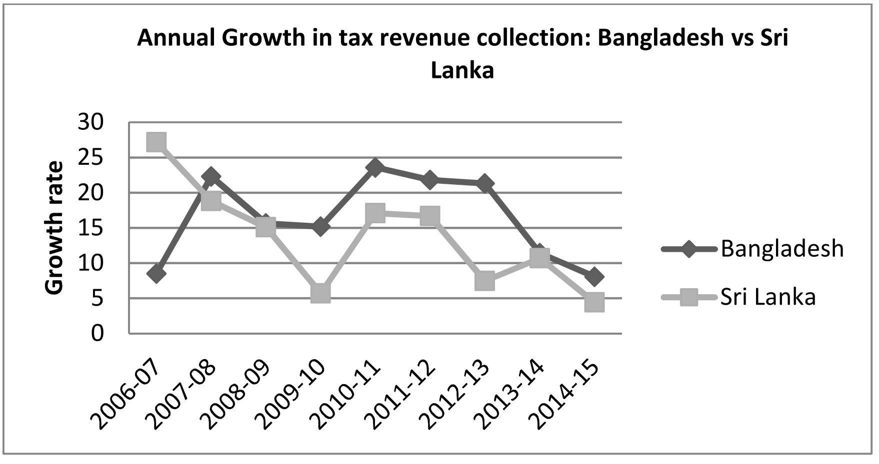

Figure – 3: Growth in Tax Revenue Collection: Bangladesh vs Sri Lanka

Table 6 and 7 represent that in Bangladesh, the contribution of tax to total government revenue was almost 85% during the period, with a minimum and maximum of 79.31% in 2007-08 and 86.11% in 2014-15. But in Sri Lanka it was almost 90% in most of the years during the period with a minimum and maximum of 86.4% in 2012-13 and 90.1% in 2007-08. The growth in the tax revenue collection was positive with significant fluctuations in both the countries. In comparison, the average growth rate in the tax revenue was higher for Bangladesh (16.43%), comparing to Sri Lanka (13.68%) during the decade.

Paying Taxes 2018 is a unique study from PWC, World Bank and IFC. The study provides data on tax systems in 190 economies around the world, with an ability to monitor tax reform considering the full range of taxes paid by the company, measuring how the business complies with the different tax laws and regulations in each economy. According to the study, the ranking of Bangladesh and Sri Lanka is 152 and 158 respectively among 190 countries (5th and 6th respectively among the SAARC countries). So, considering the overall ease of paying Taxes, Bangladesh is in a better position comparing to Sri Lanka. According to the PWC study (2018), the average tax rate and total number of tax payments is higher in Sri Lanka but it takes more hours to comply with the provisions of tax laws in Bangladesh.

Economy	Overall Ranking	Number of Payments	Time to Comply (Hours)	Total Tax Rate (%)
Afghanistan	178	19	275	71.4
Bangladesh	***152***	***33***	***435***	***33.4***
Nepal	146	34	339	29.6
Pakistan	172	47	312	33.8
India	119	13	214	55.3
Maldives	118	17	391	30.2
Sri Lanka	***158***	***47***	***168***	***55.2***
Bhutan	17	18	85	35.3

Table-8: Ranking of Bangladesh and Sri Lanka in Ease of Paying Taxes among SAARC Countries: Sources: Paying Taxes 2018, PWC

5.4 Bangladesh and Sri Lanka: Direct vs Indirect Taxes

Years	Bangladesh				Sri Lanka			
	D. Tax (Cr. Taka)	Ind. Tax (Cr. Taka)	Total Tax (Cr. Taka)	Total Rev. (Cr. Taka)	D. Tax (Ml. Rupee)	Ind. Tax (Ml. Rupee)	Total Tax (Ml. Rupee)	Total Revenue (Ml. Rupee)
05-06	8303	27872	36175	44868	52535	284293	336828	1022704
06-07	10275	28972	39247	49472	79693	348685	428378	1214043
07-08	12502	35510	48012	60539	107168	401779	508947	1402768
08-09	15462	40464	55526	69180	126541	459080	585621	1783602
09-10	18781	45175	63956	79484	139558	479375	618933	2051945
10-11	24592	54460	79052	95187	135623	589124	724747	2144500
11-12	31011	65274	96285	114885	157310	688387	845697	2424200
12-13	38,695	78129	116824	139670	172563	736350	908913	2775300
13-14	48,321	81857	130178	156671	205666	800229	1005895	3412000
14-15	52,920	87757	140677	163371	198115	852247	1050362	3662500

Table - 9: Composition of Direct and Indirect Taxes in Revenue generation

Source: Bangladesh Economic Review 2017 &Central Bank of Sri Lanka (http://www.cbsl.gov.lk/htm/english/08_stat/s_4.html)

Years	Bangladesh					Sri Lanka				
	DT as a % of TT	Ind. T as a % of TT	DT tax growth	Ind. T growth	Total tax growth	DT as a % of TT	Ind. T as a % of TT	DT tax growth	Ind. T growth	Total tax growth
05-06	22.95	77.05	-	-	-	15.6	84.4	-	-	-
06-07	26.18	73.82	23.75	3.95	8.49	18.6	81.4	51.70	22.65	27.18
07-08	26.04	73.96	21.67	22.57	22.33	21.1	78.9	34.48	15.23	18.81
08-09	27.85	72.15	23.68	13.95	15.65	21.6	78.4	18.08	14.26	15.07
09-10	29.37	70.63	21.47	11.64	15.18	22.5	77.5	10.29	4.42	5.69

10-11	31.11	68.89	30.94	20.55	23.60	18.7	81.3	(2.82)	22.89	17.10
11-12	32.21	67.79	26.10	19.86	21.80	18.6	81.4	15.99	16.85	16.69
12-13	33.12	66.88	24.78	19.69	21.33	19.0	81.0	9.70	6.97	7.48
13-14	37.12	62.88	24.88	4.77	11.43	20.4	79.6	19.18	8.68	10.67
14-15	37.62	62.38	9.52	7.21	8.07	18.9	81.1	(3.67)	6.50	4.42

Table – 10: Proportion and Growth of Direct vs. Indirect Taxes
Source: Authors calculation of data collected from Bangladesh Economic Review 2017 &Central Bank of Sri Lanka (http://www.cbsl.gov.lk/htm/english/08_stat/s_4.html)

It has been observed from Table 9 and Table 10 that the contribution of indirect tax is dominating the tax structure of both the countries. While in Bangladesh there is a decreasing trend in the share of indirect tax, in Sri Lanka the trend is stagnant. Both the countries witnessed positive growths in both direct and indirect taxes. From the tables it is clear that in Bangladesh there is a noticeable effort to reduce the indirect tax burden by emphasizing direct tax collection, whereas in Sri Lanka the effort was not evident.

6. Conclusion

From the study, it has been revealed that in terms of tax-gdp ratio, Sri Lanka is in a better position, comparing to Bangladesh. In terms of Tax-GDP ratio, the position of Sri Lanka and Bangladesh is 4 and 7 respectively among the 8 SAARC countries. On an average, around 85% of total government revenue came from tax in Bangladesh. However, in case of Sri Lanka the contribution of tax is slightly higher upto 90%.

There is positive growth in tax collection, but growth rate is erratic in both the countries during the years considered. In Bangladesh, the annual growth rate in tax varied from 8.07% to 23.60%, whereas in case of Sri Lanka it varied from 4.42% to 18.81%. The average growth rate during the decade was higher in Bangladesh (16.43%), comparing to Sri Lanka (13.68%).

The tax structure of both Bangladesh and Sri Lanka is dominated by indirect tax with a share of around 62% and 81% respectively. During the period Bangladesh was able to reduce the dominance from 77% to 63%, whereas in Sri Lanka, the rate of reduction was not very significant. Comparing to Sri Lanka, Bangladesh is in an overall better position in Ease of Paying Taxes Ranking among SAARC Countries.

Both the countries experienced a positive growth in both direct and indirect taxes with a notable effort to reduce the indirect tax burden by emphasizing direct tax collection.

7. Limitations of the research and future research-horizon

To conduct the comparative study, only the tax revenue performance of Bangladesh and Sri Lanka were considered. It has excluded the contribution of non-tax revenue. Moreover, the study has also not focused the causes of tax evasion and avoidance which has been reflected in the poor tax performances. It is expected the study will open an avenue of doing further research to reveal the causes and consequences of such performance.

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