

CORPORATE TAX STRUCTURE: A COMPARISON AMONG BANGLADESH, INDIA, AND PAKISTAN

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ABSTRACT

Corporate tax rates have a significant influence on investment decisions, with lower rates generally encouraging both foreign and domestic investment. This study examines and compares the corporate tax structures of Bangladesh, India, and Pakistan to evaluate their relative competitiveness and effectiveness. The study utilizes secondary data covering corporate tax rates and structures for the year 2022, as well as statutory corporate tax rate data from 2017 to 2021. Data sources include PwC, Trading Economics, and national revenue authorities. The analysis was conducted using Microsoft Excel. The results show that in 2022, the corporate tax rate for publicly traded companies was 22.5% in Bangladesh, 30% in India, and 29% in Pakistan. For private limited companies, the rates were 27.5% in Bangladesh, 25–30% in India (depending on turnover), and 29% in Pakistan. The banking sector tax rate in Bangladesh reached 40%, compared to 35% in Pakistan and 22–40% in India, depending on whether the classification is domestic or foreign. From 2017 to 2021, Bangladesh's tax rate increased from 25% to 32.5%, while India's declined from 34.61% to 30%, and Pakistan's dropped from 31% to 29%. The significant findings suggest that Bangladesh has the highest corporate tax rate among the three countries, with a 7.5 percentage point increase in 2021. In contrast, India and Pakistan reduced their rates by 4.61 and 2 percentage points, respectively. These quantitative differences indicate that Bangladesh's corporate tax structure may hinder investment attractiveness and economic efficiency. At the same time, India and Pakistan offer comparatively favorable environments through more flexible and diversified tax regimes.

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INTRODUCTION

A local government imposes a corporate tax on a corporation's profits. These taxes must be remitted based on the Corporation's taxable income. This encompasses revenue less Cost of Goods Sold (COGS), marketing and sales expenses, administrative costs, research and development expenses, depreciation, and other operating expenditures. The application rate of these taxes varies by country and is referred to as the statutory rate. Corporate taxes may be reduced by utilizing various deductions, loopholes, and government subsidies. Corporations must evaluate the tax rates and regulations of their prospective country before entering the market. Corporate tax rates influence the levels of both foreign and domestic investment. Countries with comparatively low corporate tax rates are more appealing investment destinations than those with relatively high corporate tax rates, assuming all other factors remain constant. Assuming all other factors are constant, a comparison of relative corporate tax rates influences investment decisions (McGee, 2020).

Bangladesh is progressively prioritizing the mobilization of internal resources to augment socioeconomic development and fulfill budgetary obligations. Similar to many other developing nations, Bangladesh faces challenges in fully mobilizing domestic resources, primarily due to inadequate tax administration, outdated tax and fiscal policies, and inefficient tax collection methods. Raising the corporate tax rate is a concern as it diminishes investment, reduces wages, and undermines the Economy.

In India, corporate tax is imposed on both domestic and international corporations. Just as all individuals who generate income are required to pay taxes on their earnings, businesses are also obligated to pay taxes on a specific portion of their income. This tax is commonly known as corporate tax, corporation tax, or company tax.

Pakistan assesses corporate taxes based on the annual net profits of companies. Businesses may subtract eligible operational expenditures from total income. Capital investments and other expenses may be deducted, but these costs cannot

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be claimed in a single year and must be amortized over multiple years. Pakistan provides numerous tax incentives for particular business activities. Numerous incentives are available for the construction of low-income housing, natural gas terminals, and operations within designated special technology zones (STZs).

A slab rate system determines the Corporate Tax rate, contingent upon the type of corporate entity and the various revenues generated by each entity. The slab rate does not apply to all nations. In Bangladesh, individual tax is subject to a slab rate, whereas the corporate tax structure does not have such a system.

Consequently, comprehending the comprehensive corporate tax framework and its intricacies, including its deficiencies and possibilities, is challenging; however, it is essential to communicate the fundamental concept of the corporate tax structures of the chosen countries and their efficacy. This study aims to provide essential insights into the efficacy of corporate tax frameworks in the selected countries and to determine the most effective nation in terms of corporate tax structure and system.

The primary objective of the report is to compare the corporate tax frameworks of Bangladesh, India, and Pakistan. The report's primary objective is to delineate the existing corporate tax structure and rates, as well as to compare the corporate tax frameworks across the selected nations. The analysis utilizes the existing corporate tax framework and five years of historical data on statutory corporate tax rates. The analysis was performed for the year 2022. Historical data on corporate tax rates is sourced from 2017 to 2021. The analysis was conducted using secondary data processed through Excel. Following the introductory section, the document encompasses the theoretical framework, literature review, methodology, analysis, critical evaluation, policies, findings, and ultimately, the concluding remarks and recommendations.

The overarching strategic objective of this study is to analyze the corporate tax frameworks of Bangladesh, India, and Pakistan. Under this primary goal, the study establishes several specific, goal-directed objectives. It aims to ascertain the prevailing corporate tax rates in Bangladesh, India, and Pakistan. Secondly, it seeks to compare these rates within the framework of their corresponding corporate tax structures. The study aims to critically assess the tax systems and structures in these countries, emphasizing their strengths and weaknesses. Ultimately, it aims to provide policy recommendations that can facilitate significant improvements and enhancements in the corporate tax systems of the selected countries.

The research paper is organized into distinct sections: Theoretical Framework and Literature Review, Methods of the Study, Analysis of the Study, Critical Evaluation of Corporate Tax Structure and Systems, Policies of Corporate Tax Structure, Findings of the Study, Conclusion, and Recommendations.

LITERATURE REVIEW

The Economy is influenced in multiple ways by corporate taxes. The corporate tax framework varies among nations, enabling a comparative analysis. This study examines the corporate tax structures of Bangladesh, India, and Pakistan, employing a comparative analysis; the theoretical framework emphasizes the elements of corporate taxation that ultimately influence a nation's Economy.

The statutory rate is the rate established by the legislature for taxing corporate profits. It is generally utilized as a subtraction from the aggregate corporate revenue, excluding labor costs, input materials, and depreciation of capital assets. Conversely, the effective rate represents the actual tax remitted by a corporation, expressed as a percentage. The effective tax rate is consistently lower than the statutory tax rate, as it takes into account all official tax payments, including refunds and credits, to provide a more accurate representation of the actual tax burden. Assert that in innovative and profitable firms, reduced statutory corporate tax rates can yield substantial benefits, as these firms generate ideas and services, relying on intellectual property and licensing for their revenue models rather than on considerable fixed assets subject to depreciation. The minimal fixed assets prevalent in the contemporary Internet age, coupled with unrestricted business mobility across numerous economic regions, indicate a heightened sensitivity to regulatory rates. Consequently, although the statutory corporate tax rate may not reflect the actual rate applicable to corporations, it does not significantly diverge from the actual figure. Furthermore, the effective corporate tax rates for Bangladesh and Pakistan are not available; therefore, the statutory tax rates are used as the corporate tax rates in this analysis.

Lee and Gordon (2004) assert that growth is contingent upon the gradual accumulation of human and physical capital, as delineated in the neoclassical model. Any tax structure ultimately results in an equilibrium capital-to-labor ratio and a steady state of education per worker. An external rate of technological change induces any subsequent rise in per-capita output. Irrespective of the magnitude of the misallocations induced by the tax structure, there should be no enduring impact on the growth rate of per capita output. However, modifications in tax policies can disrupt this equilibrium, resulting in transient growth effects. Hall and Jorgenson (1967) contend that reduced tax rates stimulate investment, as low current effective tax rates on new investments significantly enhance short-term growth potential. Lee and Gordon (2004) assert that this is most likely to occur during periods of reduced corporate tax rates. A comparative analysis must be conducted among three emerging economies to determine whether their corporate tax structures result in lower or higher tax rates.

Nonetheless, a nation's modification of its rate is influenced by and influences other nations. Countries formulate tax policies based on their self-interest. A nation establishes its tax rate as it considers appropriate to entice investment and enhance its economic prosperity. Historical trends suggest that most nations lower their rates to maintain competitiveness. According to data from 1982 to 2003, Randolph (2005) indicates that countries do not alter their corporate tax rates autonomously. Countries are competing to lower standards to attract foreign investment or mobile profits. Ireland is an anomaly, possessing the lowest corporate tax rate within the OECD, and has emerged as the headquarters for numerous corporations.

Taxation research concentrates on the examination of tax legislation or tax revenues. The majority of research concentrates on advanced or developed economies, while only a limited number of studies examine developing economies. The comparative study of corporate tax structures among Bangladesh, India, and Pakistan is relatively recent. Thorough analyses of corporate tax frameworks in emerging economies are essential for improved policy formulation. This paper aims to make a modest contribution to this endeavor, specifically regarding India, Bangladesh, and Pakistan.

Botman et al. (2010) expanded prior research to examine the influence of tax holidays on the effective tax rates in seven Asian nations. An inverse relationship was identified between the effect of tax holidays and the magnitude of a nation's capital allowance rates, leading to the conclusion that tax holidays serve as a more substantial incentive for new investments and foreign direct investment than incremental investment. This study aims to validate the findings of Botman et al. (2010) by employing a larger and more diverse sample of Asian nations.

Data from an IMF working paper indicates that the corporate financing method for different investment types is directly correlated with the tax structure. This paper suggests that the Indian tax system is characterized by a substantial reliance on indirect taxes, low average effective tax rates and tax productivity, and significant tax-induced distortions in investment and financing decisions.

Nam and Radulescu (2004) argue that a high inflation rate renders low corporate tax rates and favorable depreciation policies ineffective in attracting foreign capital. Consequently, taxation serves as a crucial instrument for governments worldwide to generate revenue for economic development.

Ahsan (1995) conducted a study on tax reform in Bangladesh, identifying deficiencies in the country's tax system and proposing enforceable recommendations to rectify them. The limitations encompass a restricted revenue base, an elevated indirect-to-direct tax ratio, a significant dependence on import taxes, a narrow indirect tax base, the agricultural sector being largely exempt from taxation, and a less progressive tax system. He also proposed that sustainable revenue growth cannot be achieved until personal and corporate incomes are adequately taxed. The design of the entire tax system is essential. Alam and Masud (2007) identified various accomplishments, challenges, and deficiencies in the income tax system for individuals and legal entities, and proposed recommendations for its enhancement in Bangladesh. A separate study in Bangladesh identified six factors contributing to tax noncompliance: tax evasion, lack of awareness, official harassment, complexity of tax laws, absence of social benefits, and additional factors. Regression analysis demonstrated that each of these factors significantly impacts revenue loss in Bangladesh (Rahman & Rahman, 2010).

Another study examines the obstacles to sustained growth that entrepreneurs in Bangladesh encounter. A multitude of challenges hinders the nation's industrial expansion, with the principal obstacle being the detrimental tax structure and elevated import tariffs on raw materials. The study advocates for the reevaluation or removal of current government duties and taxes on imported raw materials to prevent further strain on industrial production, consequently enhancing corporate tax revenue.

MATERIALS AND METHODS

The study primarily employs comparative research methods to analyze the tax structures of the selected countries: Bangladesh, India, and Pakistan. Information regarding the corporate tax structure and tax rate for the year 2022 was obtained through secondary data sourced from multiple websites, including taxsummaries.pwc.com, tradingeconomics.com, and hadeelutful.com, among others. Historical data on corporate statutory tax rates for comparative analysis over the past five years, from 2017 to 2021, were also employed. This historical data on corporate tax rates was sourced from the websites taxfoundation.org and taxprofit.org. This information, in conjunction with data gathered from various journals and websites, was analyzed to assess the corporate tax structure and system critically. Supplementary information regarding the policies of the chosen countries was obtained from websites such as bida.gov.bd and pwc.com, as well as various journals.

Excel software was utilized for the analysis, presentation, and comparison of the collected data. The analysis was performed in two categories. One category encompassed the examination of the existing corporate tax framework, including the corporate tax rate, as well as a comparative analysis of the corporate tax systems in Bangladesh, India, and Pakistan. The other category encompassed a comparative examination of the statutory corporate tax rate from 2017 to 2021. The results were articulated based on this analysis.

RESULTS

The corporate tax rate varies between countries and exhibits structural differences. Some countries employ multiple tax rates, whereas others, such as Bangladesh, utilize a single tax rate. This study presents the corporate tax rates and structures of Bangladesh, India, and Pakistan, along with a comparative analysis, utilizing the recently published budget to establish the tax rate for 2022-23 as the current rate.

Comparative Analysis of the Current Corporate Tax Structure of Selected Countries

Table 1. Current corporate tax structure with the tax rate of Bangladesh, company-wise

Description	Tax rate (2022-23)
Publicly traded company (more than 10% through IPO)	20%
Publicly traded company (less than 10% through IPO)	22.5%
Non-public traded company	27.5%
One-person company, Association of persons, Artificial judicial	22.5%, 27.5%, 27.5%

person, and other taxable entities, respectively	
Publicly traded bank, Insurance, financial Institution	37.5%
Non publicly traded bank, Insurance, financial institution	40%
Marchant bank	37.5%
A company producing all sorts of tobacco products	45%+2.5% (Surcharge)
Publicly traded mobile operator company	40%
Non publicly traded mobile operator company	45%
Private university, private medical college, private dental college, private engineering college, or private college	15%

Table 2. Current corporate tax structure with the tax rate of India, company-wise

Description	Tax rate (2022-23)
Public limited company	30% of the total income and a Surcharge of 5% if the income exceeds 10 million, plus 3% Education cess and secondary and higher education cess on the total income tax and Surcharge.
Partnership firm	A surcharge of 30% will also apply to the payable tax amount if the income of the partnership firm exceeds Rs. 1 Crore. 4% Health and education cess also applies to the tax slab amount plus Surcharge.

Corporate tax rate of a private limited company: A Private Limited Company falls under two different categories. One is a domestic company, in which there are no foreign investments, and the other is a Foreign Company, meaning a company in which foreign investments are involved.

Table 3. Corporate tax rate of a private limited company in India

Net Income Slab (Gross Taxable Income – deductions)	Domestic Company			Foreign Company			
	Income Tax Rate for Company if Turnover < Rs. 400 Crore	Income Tax Rate for Company if Turnover > Rs. 400 Crore	Surcharge	Health & Education Cess	Foreign company	Surcharge	Health & Education Cess
Up to 1 crore	25%	30%	Nil	4%	40%	Nil	4%
Above 1 crore but up to 10 crore	25,00,000+ 25%	3,00,000+ 30%	7%	4%	40%	2%	4%
Above 10 crore	2,50,00,000+ 25%	3,00,00,000+ 30%	12%	4%	40%	10%	4%

Source: Tax GURU, 2022

Table 4. Current Corporate tax structure with tax rate of Pakistan, company-wise

Description	Tax rate (2022-23)
Banking company	35%
A public company other than a banking company	29%
Any other company	29%
Small company	21%
women enterprise	25%
Small and medium enterprises	7.5% of the taxable income, where the annual business turnover does not exceed PKR 100 million. 15% of the taxable income, where annual business turnover exceeds PKR 100 million but does not exceed PKR 250 million.

In addition to the above, a super tax is imposed at the following rates

Slabs	Super tax rate
Income exceeds PKR 150 million but does not exceed PKR 200 million	1%
Income exceeds PKR 200 million but does not exceed PKR 250 million	2%
Income exceeds PKR 250 million but does not exceed PKR 300 million	3%
Where income exceeds PKR 300 million	4%

Source: PwC, 2022

For banking companies, super tax is payable at a rate of 4% irrespective of the above slabs for the year 2022. Further, where income exceeds PKR 300 million, an enhanced super tax rate of 10% (instead of 4%) shall be applicable for a single year in Case of following sectors like banking, Airlines, Automobiles, Beverages, Cement, Chemicals, Cigarettes, Tobacco, Fertilizers, Iron & steel, LNG Terminals, Oil Marketing, Oil Refinery, Petroleum, Gas exploration and production, Pharma, Sugar and Textile.

Comparison among the Tax Structures of Bangladesh, India, and Pakistan (From table 1 to 4)

A discrepancy has been observed in the corporate tax structures of Bangladesh, India, and Pakistan. Bangladesh enforces a uniform corporate tax rate, whereas India and Pakistan employ a system of multiple tax rates with varying brackets. Tax rates vary among corporations according to their respective nations. The tax rates for public limited companies are 22.5% in Bangladesh, 30% in India, and 29% in Pakistan, with India imposing the highest rate. In Bangladesh, the tax rate for private limited companies is 27.5%, while in Pakistan, it is 29%. In India, the tax rate structure for private limited companies is characterized by a multi-tiered system based on income slabs. If a company's net income is up to ₹1 crore and its turnover is below ₹400 crore, the tax rate is 25%. If the turnover surpasses ₹400 crore, the tax rate is 30%. In both instances, surcharges are nonexistent, and the health and education cess is 4%. If net income is between ₹1 crore and ₹10 crore and turnover is below ₹400 crore, the tax rate is ₹25,000 plus 25%; if turnover exceeds ₹400 crore, the tax rate is ₹3,00,000 plus 30%. In both instances, the surcharges are 7%, and the health and education cess is 4%. If the net income surpasses ₹10 crore and the turnover is under ₹400 crore, the tax rate is ₹2,50,00,000 plus 25%. If the turnover exceeds ₹400 crore, the tax rate is 30% plus ₹3,00,00,000. In both instances, the Surcharge is 12%, while the health and education cess is maintained at 4%. The tax rate for foreign corporations is set at 40%, with an additional surcharge of 2% applicable if the net income exceeds ₹ one crore, and 10% if the net income surpasses ₹10 crore. The health and education cess is consistently set at 4% across all cases. In Bangladesh's banking and financial sector, the corporate tax rate is 37.5% for public banks, 40% for private banks, and 37.5% for merchant banks. The tax rate for banking companies in Pakistan is 35%. The tax rate in Bangladesh's banking sector is high. The tax rate for foreign banks in India is 40%, whereas the tax rate for domestic banks is 22%. This initiative was executed in 2019. In Bangladesh, the corporate tax rate for partnership firms is 27.5%, whereas in India it is 30%, indicating a higher tax rate in India. Comparative analysis of tax rates is impracticable for specific entities, including small businesses, women-owned enterprises, mobile telecommunications companies, tobacco firms, and SMEs, owing to inadequate data availability. The taxation system differs among nations. Bangladesh employs a flat tax rate without tax brackets. In India, distinct rates are imposed for various income brackets, in addition to surcharges and a health and education cess. In Pakistan, a super tax rate is implemented, differing among various income brackets.

Comparative analysis of corporate statutory tax rate of Bangladesh, India, Pakistan for the last five years (2017-2021)

Table 5. Corporate statutory tax rate for the last five years

Year	Bangladesh	India	Pakistan
2021	32.5%	30%	29
2020	25%	30%	29
2019	25%	30%	29
2018	25%	35%	30
2017	25%	34.61%	31

Source: TRADING ECONOMICS, 2022

The aforementioned table indicates that the corporate tax rate in Bangladesh remained unchanged at 25% from 2017 to 2020. In 2021, the rate increased to 32.5%. In the Case of India, the tax rate has remained constant from 2019 to 2021, which is lower than the percentages of 35% and 34.61% for the years 2018 and 2019, respectively. In Pakistan, the tax rate for the years 2021, 2020, and 2019 remains consistent at 29%. In 2018, it was 30%, while in 2017, it was 31%. The aforementioned table indicates that the tax rate in Bangladesh has only increased, whereas the tax rates in both India and Pakistan have been declining over time. Rising tax rates can deter investors from investing in corporations.

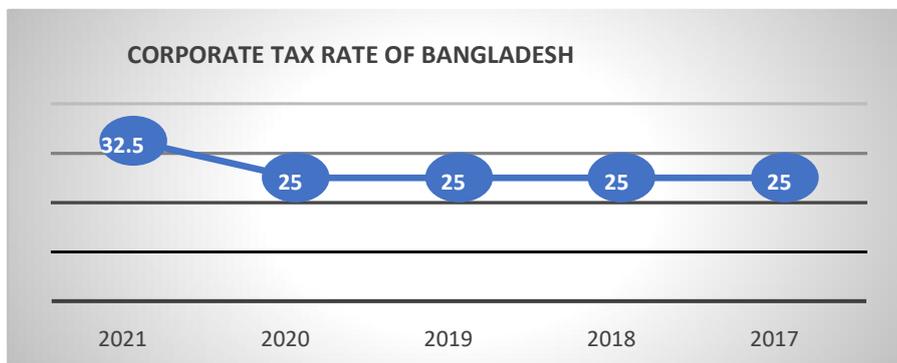


Figure 1. Corporate tax rate of Bangladesh

According to the graph above, the corporate tax rate increased in 2021, which is detrimental to the country because higher tax rates discourage investors from investing in corporations, potentially leading to corporate losses and ultimately weakening the Economy. It leads to lower wages and higher costs for ordinary people.

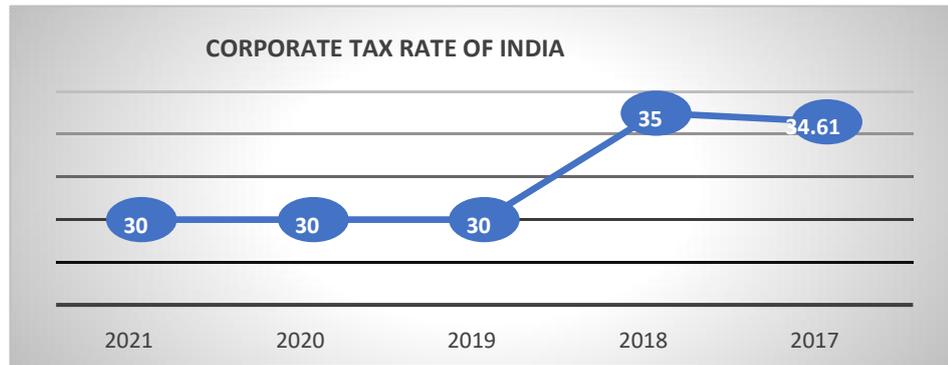


Figure 2. Corporate tax rate of India

The corporate tax rate in India for the years 2021 to 2019 is 30%, which is an increase from the previous year's rate of 35% and the rate of 34.61% in the year before, as shown in the table above. In comparison to the previous year, the tax rate in India has decreased. If the tax rate is lowered, investors will be more motivated to invest in corporations, which will ultimately lead to increased profits for those corporations and, consequently, the Economy will be strengthened. It results in increased wages and a reduction in the daily costs that people face.

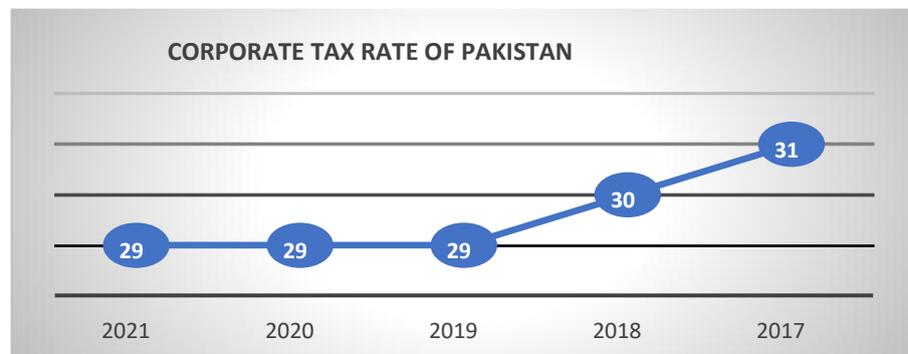


Figure 3. Corporate tax rate of Pakistan

From the table, it is evident that the tax rate decreased from 30% in 2018 to 31% in 2017. However, the rate of 29% remains constant from 2019 to 2021. Investors are more inclined to invest in corporations when the tax rate decreases, which ultimately leads to increased profitability for the company and a strengthening of the Economy. It results in increased wages and a reduction in the cost of living for the average person.

Critical Evaluation of the Corporate Tax Structure of Bangladesh, India, and Pakistan

Critical Evaluation of The Corporate Tax Structure and System of Bangladesh

Bangladesh's corporate tax policy is characterized by numerous tax exemptions, incentives, and special provisions, which considerably restrict revenue collection. This practice results in a significantly narrower effective tax base compared to a standard tax regime. The widespread use of exemptions is argued to encourage tax evasion, erode tax equity, and cause economic distortions. Furthermore, the corporate tax systems in Bangladesh exhibit deficiencies in tax administration and policy, resulting in reduced tax collection levels. In 2021, higher tax rates contributed to reduced wages and increased costs for all, thereby weakening the Economy. Higher corporate taxes directly result in decreased after-tax profits for companies, subsequently diminishing returns for shareholders. The increasing corporate tax rate deters investment in corporations. Moreover, double taxation occurs within corporations, as both the entity and the shareholders are obligated to pay taxes, thereby elevating the overall tax burden (The Daily Star, 2022).

Critical Evaluation of The Corporate Tax Structure and System of India

The presence of multiple corporate taxes in India has led to dissatisfaction with the corporate tax framework. The taxes levied by the Union Government, State Governments, and local authorities have created challenges and undue pressure for taxpayers. The Indian tax system has proven ineffective in preventing tax evasion and limiting the expansion of the parallel Economy. The disparity between the statutory rate and the effective tax rate in India is notable, primarily attributed to the complexities of the tax system, which encompasses numerous exemptions. The lack of a straightforward and transparent tax system disproportionately advantages large corporations, which incur the lowest tax liabilities. The intricacies and uncertainties of India's tax framework have resulted in ongoing litigation, with the financial stakes in these disputes escalating continuously. The corporate tax system in India aims to promote capital investment; however, the exemptions offered effectively subsidize labor-saving technologies, which poses challenges in a nation confronting substantial demographic and employment issues. The corporate tax system exhibits a bias towards capital-intensive industries, as exemplified by provisions such as accelerated depreciation exemptions. The exemptions facilitate increased deductions in

the initial years of an asset's lifespan, thereby reducing taxable income; however, they also lead to a considerable loss of potential revenue from corporate tax exemptions (Tadit Kundu, 2022).

Critical Evaluation of the Corporate Tax Structure and System of Pakistan

The significant problems with the corporate taxation system in Pakistan include exemptions, concessions, preferential treatments, tax administration issues, and a narrow tax base. The complexity of the tax system and procedures is another significant concern. Tax laws in many developing countries, including Pakistan, are frequently changed, leading to instability in the tax system. This frequent change makes the tax laws complicated and confusing for both taxpayers and tax officials. It also creates opportunities for tax avoidance and contributes to a type of tax evasion that is not intentional but occurs due to ignorance of the laws. Unfamiliarity with bookkeeping processes, tax calculations, and tax return preparation also contributes to tax evasion. Pakistan's tax system is characterized by multiple tax rates, including the super tax, which remains unknown to many corporations. Despite this, the corporate tax rate in Pakistan has remained constant for the last three years, which may send negative signals to potential investors. An anti-tax culture exists in Pakistan due to the high compliance costs associated with taxation. Furthermore, Pakistan faces a lack of fair, motivated, qualified, experienced, and well-trained tax administration personnel, as corruption within the tax administration remains a significant issue (Awan & Hannan, 2014).

DISCUSSIONS

The discussions section is divided into two components. The current corporate tax structure, including the corporate tax rate, is presented alongside a comparative analysis of the corporate tax systems in Bangladesh, India, and Pakistan. A comparative analysis of statutory corporate tax rates from 2017 to 2021 has been conducted. This section presents the corporate tax rate indicators for each country over the five years, illustrating trends in increases or decreases and their implications.

The initial analysis reveals that corporate tax structures vary across different countries. Bangladesh employs a single corporate tax rate, whereas India and Pakistan utilize multiple tax rates. The corporate tax rates for publicly traded companies, non-publicly traded companies, banking institutions, insurance firms, financial institutions, and partnership firms vary by country. The tax rates for public limited companies in Bangladesh, India, and Pakistan are 22.5%, 30%, and 29%, respectively. The tax rate in this sector in India is elevated. The corporate tax rate for private limited companies varies by country. The tax rates for private limited companies in Bangladesh and Pakistan are 27.5% and 29%, respectively. However, in India, the tax rate structure for private limited companies differs. The rate was categorized into two categories: domestic company and foreign company. The tax rate for private limited companies in India is 25%, which is comparatively lower than the rates in other countries.

The tax rate for foreign companies is fixed at 40%. The health and cess for private and foreign companies is set at 4%, while the Surcharge varies according to turnover. The corporate tax rate for banking companies varies by country. In the banking and financial sector, the corporate tax rate in Bangladesh is 37.5% for public banks, 40% for private banks, and 37.5% for merchant banks. In Pakistan, the tax rate for banking companies is 35%. The tax rate in the banking sector of Bangladesh is elevated. The corporate tax rate for partnership firms in Bangladesh is 27.5%, while in India, it is 30%. The tax rate for partnership firms in India is comparatively higher.

The second part of the analysis compares the overall corporate statutory tax rates across countries. The corporate tax rate in Bangladesh was 25% for the period from 2017 to 2020. In 2021, the rate increased to 32.5%. The tax rate in India remained constant at 30% from 2019 to 2021, which is lower than the rates of 35% in 2018 and 34.61% in 2019. The tax rate in Pakistan for the years 2019, 2020, and 2021 is consistently set at 29%. In 2018, the figure was 30%, compared to 31% in 2017. The corporate tax rate in Pakistan has decreased compared to previous years. Overall, it has been observed that the corporate tax rate in Bangladesh has increased, whereas in India and Pakistan, tax rates have been decreasing over time.

An increase in tax rates may deter investors from investing in corporations. The increasing tax rate in Bangladesh suggests that its corporate tax structure is less effective compared to those of India and Pakistan, as the corporate tax rate in Bangladesh is currently higher than that of its neighbors. The increase in tax rates results in reduced wages and elevated costs for all individuals. Increased income tax reflects the economic fragility of Bangladesh. Analysis of the corporate tax rates in Bangladesh over the past five years reveals a weakness in the Economy.

In contrast, the corporate tax rates in Pakistan and India during the same period suggest a stronger economic position, as both countries consistently maintain lower tax rates to attract investors. A lower corporate tax rate may not be beneficial for a country, as it can diminish government revenue, potentially leading to an increase in fiscal deficits. Consequently, the government might reduce spending to manage this deficit, while corporations may allocate their increased earnings towards debt repayment.

The critical evaluation suggests that implementing multiple tax rates in India and Pakistan may lead to dissatisfaction with the tax structure. The corporate tax systems of Pakistan and India exhibit complexity and ambiguity. It is necessary to simplify. Tax exemptions are widely utilized in Bangladesh. Pakistan and India's tax structures exhibit a pattern of increased tax exemptions alongside a narrower tax base. These countries also exhibit a deficiency in tax administration policy.

Policies of Corporate Tax Structure

Policies Regarding Corporate Tax Rates in Bangladesh

The Government of Bangladesh has progressively lowered the general Corporate Income Tax (CIT) rate, which is presently 30% for unlisted companies and 25% for listed companies, with exceptions for specific sectors. Capital gains are subject to taxation at a standard rate of 15%. The CIT regime is regarded as standard due to its reliance on the conventional assessment of taxable income and allowable expenses. It is distinguished from other countries by the application of: (i) differentiated tax rates based on factors such as the type of company (limited liability or sole proprietorship), public trading status, and sector; (ii) advance or presumptive payments. In Bangladesh, specific categories of income are liable to presumptive taxation. Export proceeds are subject to withholding at the point of origin based on the FOB value. Withholding practices similarly apply to service proceeds, payments for imported goods, royalties and technical license fees, dividends, interest on loans, and other fees. Withheld taxes function as advance payments and are applied toward the final tax assessment. A turnover tax of 0.6% on gross receipts is imposed on all companies, excluding specific sectors, regardless of taxable income or potential losses, representing a minimum obligation. In Bangladesh, companies are required to register and obtain a Taxpayer Identification Number (TIN) from the National Board of Revenue (NBR) for income tax reporting and filing.

Corporate Tax Policies in Pakistan

In Pakistan, when a company's tax liability is below 1.25% of its turnover, it is required to remit a minimum tax amounting to 1.25% of the turnover. In specific instances or sectors, the turnover tax is applicable at rates below 1.25%, ranging from 0.25% to 0.75% of the turnover. Under the Alternate Corporate Tax (ACT), a company's minimum tax liability is defined as the greater of 17% of accounting income or the corporate tax liability calculated in accordance with the Ordinance, which encompasses the minimum turnover tax. A super tax is imposed on individuals whose income surpasses PKR 150 million, with rates varying from 1% to 4%. A super tax rate of 10% is imposed for one year on specific sectors if income surpasses PKR 300 million. The penalty for non-filing or late filing of income tax returns has been raised to the greater of 0.1% of the tax payable for each day of default or PKR 1,000 per day. The maximum penalty is capped at 200% of the tax payable, while the minimum penalty is set at PKR 50,000 (PwC, 2022).

Corporate Tax Policies in India

In India, all companies, including foreign entities, are required to pay a minimum alternate tax (MAT) at a rate of 15% on their book profits if the tax computed according to the aforementioned rates is lower than 15% of the book profits. The Taxation Laws (Amendment) Ordinance, 2019, established Section 115BAB, which provides a tax rate of 15% for newly formed manufacturing companies. Section 115BAA permits domestic companies to choose a tax rate of 22%, in addition to a 10% surcharge and a 4% cess. All companies, including those based abroad, are required to submit their income tax returns by October 30 each year. A company established within the financial year must file its income tax return for that period by October 31. In the financial year 2019-2020 (assessment year 2020-21), the due date was extended to November 30, 2020, due to the pandemic (PwC, 2022).

CONCLUSIONS

This study aimed to compare the corporate tax frameworks of Bangladesh, India, and Pakistan to assess their impact on investment potential and economic efficiency. The analysis, which utilized 2022 data and statutory tax rate trends from 2017 to 2021, revealed significant disparities in tax policies, structures, and rate systems across the three countries. The findings indicated that Bangladesh maintains a consistent and comparatively high corporate tax rate, peaking at 45% in specific sectors. In contrast, India and Pakistan implement multi-slab systems that are more adaptable and complex. Between 2017 and 2021, Bangladesh increased its statutory tax rate from 25% to 32.5%, whereas India and Pakistan reduced theirs from 34.61% to 30% and from 31% to 29%, respectively. These modifications suggest that, although India and Pakistan aim to attract investment by reducing tax obligations, Bangladesh's approach may hinder business expansion and foreign direct investment. This paper presents a distinctive cross-country analysis of corporate tax frameworks in emerging South Asian economies, highlighting the impact of tax policy design on economic competitiveness. Theoretical implications encompass the relationship between tax structure simplification and investor behavior, whereas managerial implications highlight the significance of transparent and incentive-driven policies in attracting investment. This study is limited by its dependence on secondary data and the absence of effective tax rate or compliance cost data. Future research may encompass empirical evaluations of investor reactions to tax modifications and extensive regional comparisons to enhance tax policy recommendations.

Analysis yields multiple recommendations for enhancing the corporate tax framework in Bangladesh. Inefficiencies, including inadequate tax administration, limited policy enforcement, a narrow tax base, and numerous exemptions, characterize the existing system. To address these challenges, it is essential to develop and implement a comprehensive policy framework that enhances tax administration and promotes compliance. A comprehensive tax incentive program must be established for priority sectors in accordance with the National Industrial Policy 2016, taking into account regional disparities. Tax authorities must enhance audit activities to assess contributions from various sectors, including public enterprises. Moreover, enhancing tax policy and collection agencies by recruiting and training professional and civil personnel is essential. Expanding the tax base is essential, which can be accomplished by establishing incentives for voluntary compliance. The corporate tax system should adhere to principles of productivity and selective auditing, while

also being streamlined to reduce compliance costs. A simplified and reduced tax rate structure would likely enhance voluntary compliance while diminishing harassment and corruption. The National Board of Revenue (NBR) ought to implement a more service-oriented and user-friendly strategy to promote a culture of voluntary compliance. Rather than enforcing elevated corporate profit taxes, targeted sectoral levies—such as excise taxes—may be more suitable. Furthermore, the elevated tax rates on banking and financial institutions should be reduced to promote increased investment and capital growth. Ultimately, a standardized corporate tax rate of 15 percent for all enterprises, irrespective of industry or listing status, may stimulate foreign direct investment and improve overall competitiveness.

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