

Good news for RMG sector

Should impact positively on workers

THE European Union (EU) has come out with a statement on June 26 praising the country's efforts in improving workplace safety and taking efforts in the right direction to ensure labour rights in the readymade garments (RMG) sector. The EU, however, also stated that much remains to be done to meet international safety standards. The body is of the opinion that workers' rights need to be extended to the special economic zones and it is watching closely developments in the country on how Bangladesh is progressing on the road to implementing "Sustainability Compact" which tied the government to a tripartite agreement with the EU and International Labour Organisation (ILO).

There is no doubt that significant changes have taken place since the fiasco of Rana Plaza that cost 1,135 lives. Labour laws have been amended that has paved the way for unionisation. Two separate groups of international buyers are working with the RMG sector and authorities to ensure safety at factories and recruitment of new inspectors is an ongoing process. While the EU has made certain financial commitments for such work, there remains a contention over the closing down of factories and the employment of foreign inspectors.

The government has waived duties on a number of safety equipment which can only help minimise and tackle fires. In the final analysis of things, improvements have taken place and there are areas that require improvement. What we need to remember is that the RMG sector is an asset to the country and concerted steps must be made by all stakeholders to protect and take it forward.

Lurking danger at hillsides

Help those vulnerable to landslides

AS many as 30,000 people are at present vulnerable to landslides in the Bandarban region. The authorities, as we have seen over the last few years, have consistently warned people against residing on the hill slopes. That is surely appreciable. But the problem comes in when such warnings are not followed by concrete action. And by that we mean a taking of measures that will enable these vulnerable people to shift to safer ground. Many of these people are poor and therefore cannot afford to shift homes on their own.

It is here that the authorities, especially the district and local administrations, can come in with help. In other words, besides issuing warnings about impending danger on the hillsides, they can carry out surveys of what groups of people need assistance and how soon such assistance can be provided to them so that they can feel safe.

That said, it should from here on be the responsibility of the authorities to ensure that homes are not built on the slopes of the hills in regions where landslides are a distinct possibility every year. On both sides of the Chittagong-Bandarban road, thatched and mud huts as also semi-concrete homes dot the region. The risk of a major disaster is, therefore, always there. It makes sense, therefore, to suggest that the authorities begin to act from now on. Warnings are in order, of course. The more important issue is to see whether the warnings are being paid attention to.

US economy thrives on wastage!

ABDUL MATIN

MOST Americans buy food in crates and stock them for future consumption. Periodically, they discard the ones with expired dates and buy more food. During sales, they buy clothes, towels, linen, etc. which they don't need. At restaurants, they order more food than they consume and grab napkins by dozens while they need only a couple. They enjoy throwing leftovers and unused napkins into the waste bins!

A USDA study released in February 2014 reveals: "In the United States, 31% -- or 133 billion pounds--of the 430 billion pounds of the available food supply at the retail and consumer levels in 2010 went uneaten. The estimated value of this food loss was \$161.6 billion using retail prices." The amount of wastage was enough to feed the entire population of Bangladesh for more than one year!

"Why do Americans waste so much?" I put the question to a professor of economics.

"This is very simple. The American economy is based on wastage," He replied enthusiastically and added: "Wastage increases demand. When demand increases, a chain reaction takes place. It increases production, sales and profits. When profits increase, share prices become bullish. This makes Americans very happy as most of them own shares of different companies. This encourages them to waste more for further capital gains on shares!"

Since I am not an expert on economics, I could not contest what the professor said. "Your argument is very convincing. Professor, but isn't wastage bad for the economy?" I asked naively. "Aha! That's classical economics. Americans have re-written the rules of economics to their advantage." The professor replied confidently.

"Oh! Excuse my ignorance. What would happen to prices if demand increases?" I asked again innocently. "Prices will rise, of course, and may even exceed the purchasing power of the people." The professor replied.

"How will the Americans then buy goods to waste?" I asked. "That's a good question." The professor said and added: "Unfortunately, they won't be able to buy even their essential goods at that time."

"What will happen then?" I asked impatiently. The professor took a long breath and said: "Hmm. The economy will most probably collapse."

"Collapse!" I exclaimed and asked: "Why should the Americans do something so stupid? Do they not think about their future?" I asked again. "Now, you have come to the point," the professor said with a broad smile on his face. "Don't you know that the Americans care very little for tomorrow? What matters to them is today."

We ended the conversation there. I thanked the professor for giving me some of his valuable time and an insight into the US economy.

The writer is a former chief engineer of Bangladesh Atomic Energy

Sushma Swaraj's trip to Dhaka

SUNDAY POUCH



ASHFAQUR RAHMAN

were pending in our joint portfolio. In our agenda for the future, it was India that took the initiative and told us things which had little substantive content and more of what the previous Congress government told us to consider. This was the matter of establishing connectivity in transport, energy, exchange of ideas and knowledge. What is new in all this for Bangladesh? It means giving transit, buying electricity from India and listening with rapt attention about how excellent India's science and technology and culture are.

What was striking and new in Sushma's speech was the outlining of her government's approach towards youth development and youth-led development. This resonates much with the thinking of our youth. Her party's pursuit of active engagement with all of India's neighbours is another aspect that resonates well. We should have given this idea to India as we also feel that it will ensure security, stability and prosperity in the region. We heard all this from Sushma and liked it.

Sushma's message to Bangladesh leaders was that democracy requires building strong institutions and promoting a culture of tolerance, inclusion and respect for differences. This is like music to our ears. BNP leader Khaleda Zia, in her dialogue with Sushma, made the point that the present Awami League government is not a government which has been elected based on the principle of inclusivity. Sushma avoided the controversy and moved on. So India should also adhere to these precepts too.

There was nothing new to report about specific economic projects, but there should have been. Bangladesh could have spoken about the new infrastructure projects between the two countries. Our prime minister has a deep vision that includes Bangladesh, North East India and the Bay of Bengal. We could have spelled out

these thoughts more elaborately.

It must be recalled how qualitatively different was the visit of our PM to Delhi in 2010 soon after she assumed power. She made a paradigm shift in our bilateral relations with India by giving India security assurances against insurgencies from North East separatists. Why couldn't some tectonic shift in our relations also be discussed? Maybe when our PM visits India or PM Modi visits us, we can expect such policy changes.

Two issues were not mentioned by Sushma. One was the matter of the so-called 'illegal migrants' from Bangladesh. The other was the great flow of remittance amounting to almost \$4 billion from Bangladesh (Indian statistics) to India. The first was a good development. It shows Modi's wise counsel and pragmatic approach towards bilateral relations between the two countries. Regarding remittances, we should not feel worried. India should allow Bangladesh services to invest in India and send remittances to Dhaka, to equalise this bilateral trend.

We did not discuss military cooperation between India and Bangladesh. Perhaps it did not find any mention in any open discussion. There is big power

rivalry in the Bay of Bengal and the Indian Ocean. We must coordinate our defense strategies with India, China and the US to face traditional and non-traditional threats in the future. Of course, these items must claim their priority in the next discussions.

There was great interest in Bangladesh about Sushma's visit.

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visit. This was rightly so. It only demonstrates how much we want to talk with our neighbour and open the various doors of genuine cooperation. We cannot afford to remain in the past. Allowing big equipments to transit overland to build the Palatina Power station in Tripura was a sound move by Bangladesh. Allowing India to move 10,000 tons of food grains from West Bengal to Tripura free of cost is another good gesture. India should not forget these, and should institutionalise these movements so that Bangladesh receives its monetary benefits. India should consider movement of cars and trucks from Bangladesh to India, Nepal and Bhutan at no cost or little cost. India may build the infrastructure for the benefit of connectivity and for bringing prosperity in this region. India's decision to give 5 year multiple entry visa for Bangladeshi nationals below 13 and above 65 years of age is a heartwarming gesture. We should reciprocate without any qualms now.

Perhaps our bilateral journey, which was stymied by the chief minister of West Bengal during the tenure of the weak Congress-led government under Manmohan Singh, will get another boost with the visit of Sushma Swaraj.

Raising personal tax slabs to six: Why not lucky seven?

M. AMINUL ISLAM AKANDA

THE government has added a tax rate of 30% in taxation on personal income in the budget for FY2014-15 in addition to existing five tier progressive rates. It is designed with a tax-free income slab of Tk. 220,000, additional income of Tk. 300,000 as second slab to be charged at 10%, next Tk. 400,000 as third slab at 15%, next Tk. 500,000 as forth slab at 20%, next Tk. 300,000 as fifth slab at 25% and lastly at 30% on the rest amount. However, the proposed highest rate is not debated at all because of its compliance with the ability-to-pay principle. Moreover, our finance minister has a plan to keep these slabs fixed over years. Apparently, it will be a burden to bottom layer taxpayers who don't have a rapid rise in incomes but have a natural rise in consumptions.

The rigidity and non-adjustment of income slabs may arise from a one-eyed inference. The government may account for a person with a monthly income of Tk. 28,000 to pay the least yearly tax of Tk. 3,000 after a few rebates on house-rent, medical expenses and conveniences. This least amount can also be paid by a person with a monthly income of Tk. 41,000 after an extra rebate on investment. Is it a fact that everybody pays a small amount of tax and saves a large amount of Tk. 11,000 a month? The answer lies with answer of another question on what portion of white money can the middle income people save after coping with high inflation. It is not that a person not paying income tax is not paying any taxes. The reality here is, either the producer or the importer

shifts the indirect tax burden to consumers. Thus, an individual has no option but to fall in the tax-web of VAT, import duty and many other taxes. In this regard, the government as a welfare institution has no rationality to render more burdens on individuals.

Let's look at the burden dynamics of personal income tax in Bangladesh. The income slabs against tax rates are often changed but not every year. Whether these changes have raised or reduced burden on taxpayers could be calculated using the Consumer Price Index (CPI). The CPI increased from 193.5 to 307.2 between 2007-08 and 2013-14, which was used to calculate the compensatory slabs for budget 2008-09 and 2014-15. It is to be noted that the tax for this year is paid on the income of previous year. The adjustment suggests a rise in tax-free income slab to Tk. 262,000 in 2014-15 from Tk. 165,000 in 2008-09. Moreover, other slabs needs to rise like the second slab at 10% tax rate to Tk. 436,000 from Tk. 275,000, third slab at 15% to Tk. 515,000 from Tk. 325,000, forth slab at 20% to Tk. 595,000 from Tk. 375,000 and fifth slab at 25% on rest amount. However, it varies from proposed slabs, which contradicts the objective of efficient tax design supporting low burden to taxpayers.

Why doesn't our government look for reducing burden on existing taxpayers? The very easy answer is the larger amount to be collected from limited in-net taxpayers. Our strict tax policy was very effective for almost one

million taxpayers, who supported gradual larger budget. On the other hand, a parallel policy for money whitening sheltered tax evaders in the name of political compromise. No matter what the ethics say about duality, the government became happy with gradual larger collection of income tax. Moreover, its target for FY2014-15 has been lifted to 37.5% of tax revenue, which was achieved at 31% of that in 2012-13 from 18% in 2001-02. Won't the government choose the easy and proven option of taxpayer in-net to meet its target? Though the taxpayers in the booby-trap are bound to pay whatever the government decides, it is just an oppression to obliged contributors. Rather, the option for the government will be the incorporation of disobedient evaders into tax-net.

Wide tax-net is worth a lot irrespective of whatever the taxpayers pay. There are two ways to bring tax evaders into the net. Out of the sanctions and incentive regulations, the latter is more effective in the progressive world. Lowering the tax rate or the transaction costs would be an incentive to new taxpayers. A few Asian countries like Thailand, Vietnam and Indonesia have an income slab at 5% tax rate. This soft tax tier can be adopted in between the zero and 10% tax tier in Bangladesh. If the government accepts the compensatory slabs up to 10% tax, the accumulated limit is Tk. 700,000 (Tk. 262,000 @ 0% + Tk. 436,000 @ 10%). These two slabs can roughly be divided into a tax-free slab of Tk. 220,000, 5% tax on the next Tk. 200,000 and 10% tax on the rest Tk. 280,000. This will not only compensate existing payers but will also encourage people to enter

into tax-net. It will also decorate our proposed six-tier system into lucky seven tiers with a tax rate gap of 5% in each tier.

Addition of a slab with 5% tax will have an easy policy. This public incentive will not offer any disincentive to the government as it will not lose the tax amount at the present rate of Tk. 3,000 times the number of taxpayers. On the other side, the government could hide its monopolist nature visible in rigidness with slabs. Easiness will complement for the fame of tax department and trim down anti-tax flue. Meanwhile, our country is ranked first among the South-Asian countries for taxation services according to a report of the Vriens & Partners PTE Limited. Moreover, the government has come out of compromise with black money, which will also create a positive attitude among taxpayers. The easy taxation with a soft rate of 5% would lead them to be tax-ambassadors. However, further reform and digitalisation are necessary to reduce the transaction costs. A digital record system is needed to identify the incomes of people in and out of tax-net. Then, an easy seven-tier personal tax system along with strictness against tax evaders would build an efficient and a sustainable tax system.

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LETTERS

TO THE EDITOR

letters@thedadlystar.net

Rina Begum's example

An inspirational photo published in your daily on 21st June caught my eye. The photo story highlights how Rina Begum has raised her voice against domestic violence and started her own struggle for survival. She is now selling spiced puffed rice on the street. In a country like ours, where domestic violence dominates a shockingly large number of households, this is a small but highly motivational step. Women (in both rural and urban areas) should no longer fear violence. They should become independent both mentally and financially.

Sabrina Samreen

Uttara, Dhaka

Deceptive fruits in mellow colours

TDS's colourful full-page pictures of luscious fruits published on 20th June are alluring, but who knows if these are all carbide or formalin tainted. Authorities should go all out to wipe out this epidemic spreading all across the country. They should show no mercy to these unscrupulous traders and farmers who add this harmful chemical to fruits.

Hopefully, at least boiling and cooking of tainted vegetables will possibly eliminate the bad effects of these poisons. The authorities may widely publicise any such measures that can eliminate or reduce the effects of poisons in fruits and vegetables.

S. A. Mansoor

Dhaka

Essence of Ramadan

Ramadan is the greatest month of opportunity to seek Allah's blessings through prayer and fasting. In this holy month one should restrain oneself from all kinds of sins. Muslims of Bangladesh should guide their lives with the noble teachings of Islam. Corruption and dishonesty must be avoided at least in this holy month.

Mashudul Haque

Dhaka

Comments on news report, "AL turns a blind eye to its charter," published on June 23, 2014

Nargis

I cannot wish happy birthday to Awami League at their present state.

Hafeejul Alam

Awami League lost its democratic character since it switched over to the BAKSAL in 1974. BAKSAL is no more but the basic character of the party remained authoritarian. A political party can only pass the test of time if it adopts intra-party democracy and leadership grows from the grassroots instead of being imposed from the top.

PlainSpeaker

Neither Awami League nor any political party in Bangladesh ever had any democratic characteristic. The Awami League had always been an opportunist's party from the very day Bhashani left it.

Hardreality

Everyone knows that the country is run by a few people from the ruling party.

"Ban stresses political reconciliation" (June 22, 2014)

Nasrullah Khan

Ban Ki-moon's hope for a dialogue followed by reconciliation between the two major parties, unfortunately, is not likely to come true in the foreseeable future.

Jafar Iqbal

Thieves never listen to good advice.

Hardreality

Every time an outsider, no matter who he is, tells our politicians how to run our country, I feel ashamed. I don't care whether they have the right to do so, but what bothers me is that our politicians have given them chance to interfere in our internal affairs. If our politicians were prudent enough and put the country's interest above their own interests, outsiders would not