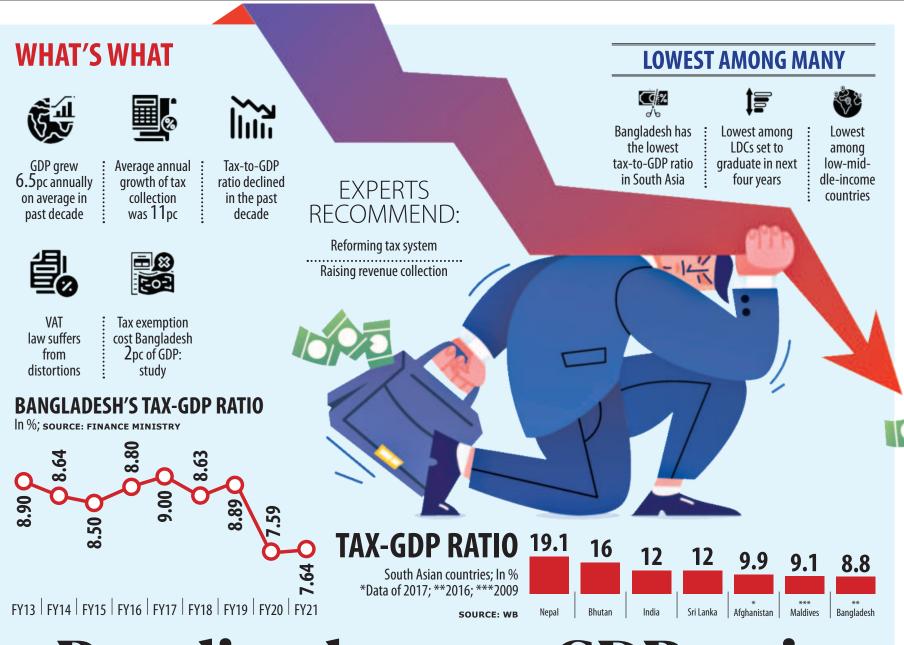
*BUSINESS





Puzzling low tax-GDP ratio

SOHEL PARVEZ

While official data portrays the burgeoning growth of Bangladesh's economy, tax collection relative to the gross domestic product (GDP), a measure of the size of the economy, shows an almost opposite trend.

The tax collection as a percentage of GDP has been stuck at around 7.6 per cent, the lowest in South Asia and one of the lowest in the world. This prompts economists to question the disconnect since revenue receipts should increase in line with the expansion of the economy.

"This shows a big mismatch," said Selim Raihan, executive director of the South Asian Network on Economic Modeling.

"It shows that there is no relation between GDP growth and revenue collection although the tax-to-GDP ratio increases in other countries because of the growth of the economy. In the case of Bangladesh, it is a puzzle."

Over the past decade, the GDP grew 6.5 per cent annually, on average. The average annual growth of tax collection was 11 per cent.

As a result, Bangladesh continues to languish at the bottom among the South Asian countries when it comes to the tax-to-GDP ratio.

Among the least-developed countries set to graduate to the developing nations'

according to Raihan, also a professor of economics at the University of Dhaka.

"Does it mean that the additional GDP growth has remained out of the tax net? Does it mean that the economy has become more informal? Is it that tax avoidance is encouraged? It is a puzzle," he said.

The new value-added tax



category in the next four years, Bangladesh has the lowest tax collection as a percentage of GDP, data from the World Bank showed.

Bangladesh's tax-to-GDP ratio is also the lowest among the low-middle-income countries, and the ratio declined in the past decade,

law, which came into effect several years ago, suffers from distortions while a large number of people are exempted from tax payments.

For example, the garment and textile sector, which provides guaranteed income, enjoys just half the corporate tax rate applied to non-listed

companies.

Citing a previous study he co-authored, Prof Raihan says tax exemptions cost Bangladesh 2 per cent of its

"We have also had serious problems in the execution of laws. There are also a large number of people who don't want reforms. It seems that there is a nexus among a section of taxpayers and revenue officials against reforms."

However, this may not be the only case.

Economists are, in fact, doubtful about the GDP growth estimates in the first place, since the growth numbers do not commensurate with the real data such as revenue collection, debt, exportimport, and credit growth.

"The growth that is shown does not relate with reality because an overstatement emerges if GDP is compared with other data," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

Besides, the tax base is

low compared to the size of the economy. Collection efficiency is also low. There are many loopholes in the tax policies, he added.

"As a result, small fishes escape the tax net, which is also not strong enough to catch big fishes."

In Bangladesh, there are plenty of tax benefits under various names: holidays, exemptions and waivers. So, Bangladesh loses a huge amount of tax because of the prevalence of tax breaks.

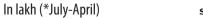
"The fact is money is really going out of taxpayers' pockets. But it is not going to the state coffer. The money is going to the pockets of various intermediaries [tax lawyers, dishonest revenue officials] in the system," Hussain said.

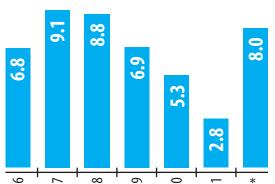
So, if the lost revenue is taken into account, the tax-to-GDP ratio would have increased.

"No country will be able to become an upper-middleincome country with such a low tax-to-GDP ratio," said Ahsan H Mansur,

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WORKERS GOING ABROAD





Remittance may look up

Outward flow of migrant workers hits 4-year high

JAMIL MAHMUD

Nearly 8 lakh migrant workers went abroad in the first 10 months of the current fiscal year, comfortably exceeding the numbers a year ago, a development that bodes well for Bangladesh as it could pave the way for higher remittance earnings.

An increased flow of money transfer from

An increased flow of money transfer from the migrant workers will be key in the coming months as abnormally high imports against moderate exports have created an exchange rate volatility in the country amid costly commodities in the global markets.

Data from the state-run Bureau of Manpower, Employment and Training (BMET) showed that 7.99 lakh migrant workers moved to other countries in search of jobs between July and April.

It is already more than double 2.8 lakh workers who went overseas in the fiscal year of 2020-2021 and the highest in the last four years. The last fiscal year saw a drastic fall in overseas employment as most economies enforced frequent lockdowns to limit the impacts of the coronavirus pandemic.

Although a large number of workers are going abroad as global economies have reopened thanks to the improving coronavirus situation, Bangladesh might have to wait for some time to benefit from higher migration, experts and sector insiders say.

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11	COMMODITIES AS OF FRIDAY		
*OIL	Gold 🔻	Oil 🔺	
	\$1,811.09 (per ounce)	\$110.20 (per barrel)	

	ASIAN MARKETS			FRIDAY Closings
	MUMBAI	ТОКҮО	SINGAPORE	SHANGHAI
	0.26% 52,793.62	2.64% 26,427.65	0.82% 3,191.16	0.96% 3,084.28

Price of finer paddy goes up

Traders urge govt to take steps to ramp up supply

SOHEL PARVEZ and MOSTAFA SHABUJ

Prices of paddy, particularly the finer varieties, are on the rise in the producing regions in Bangladesh amid worries of crop damages and lower yield inflicted by the recent flash floods in the haor districts and cyclone Ashani-induced rainfalls.

The finer quality grain, which is popular among the middle- and upper-income groups, costs up to around Tk 1,100 each maund (40 kilogramme), up 10 per cent since May 3, said millers and traders yesterday.

The spike comes at a time when consumers are suffering from higher inflation fuelled by rising prices of foods, including edible oil and flour.

Inflation touched a 17-month high of 6.22 per cent in March.

An Indian ban on wheat export intensified fears of a

further hike in the price of the grain since 86 per cent of

Bangladesh's domestic demand is met through imports.

"Paddy prices were supposed to decline but we see
an upward trend. The overall production and yield
do not seem to be satisfactory," said Nirod Boron
Saha, president of the Paddy and Rice Stockists and
Wholesalers' Association in Naogaon, one of the main
rice hubs in the north, the biggest rice-producing zone in

the country.

Floods in the haor areas, rainfalls and the cyclone have affected the crop. The yields from paddy after milling are also low, he said, adding that the prices of the



Farmers try to salvage what remains of their paddy following recent heavy rains in Gaibandha and Bogura which inundated crop fields.

The photo was taken in Palashbari upazila of Gaibandha on Saturday.

PHOTO: MOSTAFA SHABUJ

Soybean import to rise 7.7pc USDA says

STAR BUSINESS REPORT

Bangladesh's soybean import is projected to rise by 7.7 per cent year-on-year to 28 lakh tonnes in 2022-23 marketing year beginning from October, according to the United States Department of Agriculture (USDA).

Moreover, the import of soybean meal and oil will see a slight fall thanks to a rise in supply and crushing of soybean seeds in Bangladesh, said a recent report — Oilseeds: World Markets and Trade.

A total of 775,000 tonnes of soybean oil will be imported in 2022-23, which was 750,000 tonnes in the outgoing year.

And soybean meal imports are also projected to rise slightly to 400,000 tonnes by this time.

Riding on the increased soybean import, this year READ MORE ON B3

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