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BUDGET: FY23

Tax incentive for hiring physically challenged

STAR BUSINESS REPORT

Employers hiring over 25 persons who are physically challenged or of the third gender or over 10 per cent of whose employees comprise such persons are expected to become eligible for a tax rebate.

Employers now get a 5 per cent rebate on tax if minimum 10 per cent of their workforce are these persons

The tax rebate may be provided on 75 per cent of the salary paid to these persons or of 5 per cent of the payable tax, whichever is less.

Currently, employers get a 5 per cent rebate on payable tax if a minimum of 10 per cent of their total workforce comprise persons who are physically challenged or of the third gender.

The same goes for cases when more than 100 persons of the workforce are of the third gender.

Exporters to pay higher source tax

STAR BUSINESS REPORT

Although exporters of all sectors are going to enjoy 10 per cent (green businesses) and 12 per cent (non-green businesses) corporate tax in line with garment makers, source tax on export proceeds is likely to double to 1 per cent from the next fiscal year.

The existing 0.5 per cent source tax has been in place for the last couple of years, according to the National Board of Revenue.

The move comes against the backdrop of businesses showing interest in importing gold after the government framed a gold policy in 2018 to bring the gold trade under a regulatory framework. Officials expect that the tax waiver would help the jewellery market to flourish and increase the state's revenue collection.

Taka gains after months

AKM ZAMIR UDDIN

Local currency taka gained in value by Tk 0.50 to Tk 91.5 per US dollar at the interbank platform yesterday after facing a continuous slide in the last couple of months.

A Bangladesh Bank official said this might be a temporary phenomenon as the country's foreign exchange market was still under pressure due to a shortage of US dollars.

The central bank yesterday injected \$124 million into the market to offset the shortage in the market.

A record \$6.59 billion has been injected into the market between July 1 and June 8 this fiscal year, according to data from Bangladesh Bank.





In spite of this, the foreign exchange market is still facing a shortage of US dollars due to soaring import payments and a declining trend in the inflow of remittance.

The country's import payments have shot up since the end of last year because of the rising prices

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BUDGET OF FY23 BY THE NUMBERS (proposed)

SOURCE: FINANCE MINISTRY

	Budget size: Tk 678,064cr
	Revenue generation target: Tk 433,000cr
	NBR target: Tk 370,000cr
	Budget deficit: Tk 245,064

BUDGET IN % OF GDP

	Budget	GDP	In %
FY1972-73	Tk 786cr	Tk 4,985cr	15.76
FY2021-22	Tk 603,681cr	Tk 3,976,462cr	15.18

CHALLENGES

- Volatility in macroeconomy
- Depleting forex reserves
- Low tax-to-GDP ratio
- Low job creation
- Weak progress in reforms
- Lack of tax reforms
- High cost of doing business

RECOMMENDATIONS

- Make macroeconomy management prudent
- Limit budget deficit
- Set rational revenue and expenditure target
- Tighten money supply
- Protect poor from higher inflation
- Expand safety net, raise allowance
- Accelerate reforms
- Introduce safety net for urban poor

Time for austerity, time for generosity

Kamal has to apply both measures as he unveils budget today

MD FAZLUR RAHMAN

Austerity and generosity may not go hand in hand, but Finance Minister AHM Mustafa Kamal faces a situation where he has to apply both when he unveils the budget for the next fiscal year today.

Austerity is the need of the hour because abnormally high imports, albeit needed to support the economy rebounding from the coronavirus pandemic, and higher commodity prices mean the septuagenarian politician will have to go all the way to save every penny he can amid depleting foreign reserves and lower revenue collection.

He has to be generous as never in recent memories, so many people of Bangladesh have looked to the government like they are doing now, in order just to protect themselves from the painful onslaught of higher inflation.

It seems that Bangladesh is now at an inflection point. Bangladesh had recovered swiftly from the fallout of the coronavirus pandemic and was set to sail safely despite the threat of higher inflation three

months ago. But everything has changed since the Russian invasion of Ukraine.

The war broke global supply chains and sent inflation to record levels in most countries.

In Bangladesh, the higher prices of essentials are mostly driven by elevated levels of

lower-income groups from the impacts of inflation," said Prof MM Akash, chairman of the economics department at the University of Dhaka.

The current situation warrants all-out efforts from the government. But it can't rely on fiscal measures alone to

falling into stagflation — a combination of high inflation and economic stagnation.

"In order to ensure stability and protect people from hardships, we may be needed to sacrifice economic growth to some level," said Monzur Hossain, research director of the Bangladesh Institute of Development Studies.

The government's performance when it comes to bringing meaningful reforms is low. What is even more worrying is it leaves reforms for the last minute until a disaster strikes or a situation emerges that gives no choice to the authorities but to do something.

But an important lesson could be gleaned about the cost of procrastination from the recent exchange rate volatility.

Experts have long demanded a gradual depreciation of the taka. But it was not done. Now, the government has been compelled to do so as the depletion of foreign reserves sounded out an alarm that Bangladesh might face a Sri Lanka like situation.

"It is better to introduce

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global commodities prices and unprecedented freight charges. So, the government doesn't have full control over it.

What it can do to lessen the impacts of higher inflation is to take measures that are within its reach.

"The government will have to intervene in the market through increasing the supply of essentials, adopt direct cash transfer and provide rations to protect the poor and the

reach the goal.

And the next move will have to be involved monetary instruments that the government has not used so far largely.

But if the monetary tools are applied appropriately, the liquidity supply will slow, the investment may fall and imports will come down. It may even go on to decelerate economic growth.

Even the country risks

Kamal determined to ride out current uncertainty

REJAUL KARIM BYRON

AHM Mustafa Kamal, whose life has been full of struggles, had dreamt of becoming the finance minister, so he consciously entered politics.

The dream came true in January 2019. But with the fulfilment of the dream came challenges. Just days before the budget unveiling in the year, he was struck with dengue fever.

He was taken to hospital. He came to parliament in an ambulance straight from there although he had not recovered fully.

But he managed to summon up enough strength to rise from his seat and delivered his maiden budget speech.

He was so weak that he had to stop midway the speech. In an unprecedented incident, the prime minister stepped forward and finished reading the unfinished part.

"Nothing was hampered," recalled Kamal, while speaking to The Daily Star on Monday.



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Troubles did not spare him as he had to deliver the next two budgets amid the coronavirus pandemic, the worst crisis the world has ever seen since the Great Depression of the 1930s and Bangladesh has ever seen since its independence.

The highly contagious and deadly virus meant Kamal, who was 72 when Covid-19 hit the country and belongs to the very high-risk group, had to frame the budget, maintaining strict health protocols.

"This was the time when people were fleeing cities. The economy came to a screeching halt. People lost jobs. They had neither money nor food. It was a terrible situation," said Kamal.

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STOCKS

DSEX ▲	CASPI ▲
0.24% 6,484.24	0.34% 19,023.91

COMMODITIES

Gold ▲	Oil ▲
\$1,854.82 (per ounce)	\$120.25 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▼ 0.39% 54,892.49	▲ 1.04% 28,234.29	▼ 0.18% 3,225.80	▲ 0.68% 3,263.79

Ten banks face capital shortfall of Tk 27,051cr

AKM ZAMIR UDDIN

Ten banks in Bangladesh collectively faced a capital shortfall of Tk 27,051 crore in March, an indication of their fragile health caused by years of irregularities.

The banks are Bangladesh Krishi, Sonali, Rupali, Agrani, BASIC, Rajshahi Krishi Unnayan, ICB Islamic, Bangladesh Commerce, Janata and Padma.

The irregularities perpetrated by the banks are mainly responsible for the large capital deficit, an expert said.

Among the lenders, Bangladesh Krishi Bank had the highest capital shortfall of Tk 12,877 crore in March, up 15 per cent from a year ago, as per data from Bangladesh Bank.

Rupali's shortfall widened to Tk 1,984 crore from Tk 762 crore over the same period.

This led an analyst to call on the central bank to take immediate measures to address the problem as such a situation sends a negative signal to the international community and local businesspeople that the banking sector is weakening.

A Bangladesh Bank official said that foreign businesses usually look at the capital base of banks before making any investment decisions.

"So, this level of capital shortfall keeps foreign investors at bay," he added. The amount of default loans at banks increased substantially in March this year, bringing a negative impact to the capital base in the sector.

Default loans at 60 banks operating in Bangladesh surged 19.3 per cent year-on-year to Tk 113,441 crore in March this year.

Banks have to set aside a large amount of provisioning against the defaulted loans that ultimately hit their capital base.

The capital adequacy ratio (CAR) shrank to 11.41 per cent in March in contrast to 11.67 per cent a year ago due to the reduction of capital.

The CAR, also known as the capital to risk-weighted assets ratio, measures a bank's financial strength by using its capital and assets. It is used to protect depositors and promote the stability and efficiency of financial systems around the world.

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Signing of Collaborative Partnership Agreement

FEED: FUTURE



Signing of collaborative partnership agreement between ACME and USAID funded Feed the Future Bangladesh Livestock and Nutrition Activity, ACDI/VOCA regarding 'Promoting Anti-Microbial Resistance (AMR) Solutions and Embracing 'One Health' Concept to Overcome Shared Health Threats Among Humans, Animals and the Environment'

ACME has recently joined hands as collaborative partnership agreement with USAID funded Feed the Future Bangladesh Livestock and Nutrition Activity, ACDI/VOCA on 5th June 2022. This agreement was signed by **Mr. Md. Hasibur Rahman**, Additional Deputy Managing Director on behalf of ACME and **Mr. Muhammad Nurul Amin Siddiquee** on behalf of ACDI/VOCA with the presence of their duly authorized representatives at corporate office of ACME.

The aim of this collaborative partnership agreement will be helpful to reduce Anti-Microbial Resistance (AMR) and embracing 'One Health' concept to overcome shared health threats among humans, animals and the environment. This collaborative partnership agreement will engage ACME's human resource to enhance technical ability and skills of livestock service providers (LSPs) through which the farmers, consumers and overall environment of our country will be main beneficiaries.

