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Universal pension starts from 2022-23

MD SHAHNAWAZ KHAN CHANDAN

A universal pension scheme for citizens aged 61 and above will be introduced from fiscal 2022-23, said Finance Minister AHM Mustafa Kamal yesterday.

The government has taken a policy decision to enact the Universal Pension Management Act 2022, he said.

A draft of the act has already been made and it would be presented before the parliament within this year, he added.

In his budget speech, the minister also said the average life expectancy at present is 73 years in Bangladesh which is expected to be 79.9 years in 2050 and 84.3 years in 2075.

In the next three decades, citizens are expected to live 20 years after their retirement, he mentioned.

Besides, the ageing population will continue to grow due to the expected increase in average life expectancy. It is high time the authorities introduce a universal pension scheme, he said.

SEE PAGE 6 COL 5

MIDDLE CLASS

A slur is all they get



SUBSIDY ALLOCATION

54pc rise proposed

Experts worry about economic stability

AKM ZAMIR UDDIN

The government has proposed an allocation of Tk 82,745 crore to run its subsidy programme for 2022-23, an increase of 53.7 percent from this fiscal year's original outlay, creating a challenge to macroeconomic stability.

For 2021-22, the government initially set aside Tk 53,852 crore for subsidy expenditure, but later augmented the amount to Tk 66,825 crore to contain the ripple effect of inflation.

Price increase in the global commodity market due to the Russia-Ukraine war and the coronavirus pandemic have compelled the government to take the measure.

Finance Minister AHM Mustafa Kamal in his budget speech said the rising subsidy poses a challenge in the budget management for the next fiscal year.

He also said the proposed amount could be 15-20 percent higher than the initial estimates, considering the price trend in the global market.

The proposed subsidy expenditure stands at 1.90 percent of GDP compared to 1.70 percent this fiscal year.

But economists argue that the government should consider either withdrawing or cutting the subsidy on some sectors.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said there was no scope to assume how much the prices of essential commodities would increase in the global market.

"The government should not increase the subsidy allocation to a large degree as it would threaten macroeconomic stability," he said, adding that hiking subsidy is a political agenda.

SEE PAGE 13 COL 1

Broadband, smartphones, laptops to cost more

MAHMUDUL HASAN

With prices of mobile phones and broadband internet set to go up in the next fiscal year, the proposed budget would not be favourable to further development of the ICT sector, experts have said.

While many people do not own a phone and the majority do not have smartphones, 5 percent VAT on mobile phone sales will severely hurt consumers amid the price hike of almost all products and services.

The consumers will ultimately pay for the 10 percent advance income tax on broadband internet service, stalling the growth of the internet users during the pandemic.

The government also proposed 15 percent VAT on laptop imports

SEE PAGE 6 COL 1

ZYMA ISLAM

The new budget provides nothing for the uncle next-door who has spent his life pinching pennies in a rented flat, nothing for the millennial slogging away 60 hours a week and still wondering how to pay for their second child's school fees, nothing for the mother hesitating to buy beef for a special day.

In short, there is nothing for the middle-income groups.

In the year in which food expenditure alone can blow off more than half the monthly income of a middle-income family, the only reference that Finance Minister AHM Mustafa Kamal made of them in his budget speech yesterday was when he singled them out as tax evaders.

"The population belonging to the middle classes and above is about 40 million [four crore] in our country, but most of them are not paying income taxes. Hence, necessary steps are being taken to prevent tax evasions and to bring all the people, who have taxable incomes, under the tax net," Kamal said.

In a country of 16 crore people, there are 75.10 lakh registered taxpayers. Of them, only 29 lakh filed returns, according to the minister's speech.

With tax collection accounting for a paltry 7.6 percent of the gross domestic product, Bangladesh has one of the lowest tax-to-GDP ratios in the world.

But with the middle-income group being only about four crore in number, there is no indication that the vast untaxed population of the country is wholly made

of them.

"A large portion of those involved in tax evasions are high-income groups," said Dr Fahmida Khatun, executive director of the Centre for Policy Dialogue.

A 2019 research by New York-based research firm Wealth-X had forecasted that Bangladesh will see the third quickest growth in the number of high net-worth individuals in the world in the next five years.

The budget speech makes no mention of tightening the noose around tax invaders from the upper class.

The surcharge, introduced for those with assets worth over Tk 10 crore in the last fiscal year, remains at 10 percent this year too. The income tax rate of 25 percent, introduced in FY 2020-21, reduced from the previous budget's 30 percent, for individuals earning Tk 16 lakh and over per annum also remains rock solid.

On the other hand, strict measures are being taken for tax evaders in general – an act that experts worry would regressively impact the middle classes.

In order to expand the tax net, the government proposes "to introduce provision of disconnecting utility service connections, such as gas, electricity, water etc, in case of failure to pay the undisputed revenue demand of the government."

Dr Fahmida said, "These are stern measures. Such measures could prompt the authorities to discriminately reach for low-hanging fruits. The middle class is an easy target...."

This instance of upbraiding the middle class comes at a time when more than

half of the households' monthly income can easily be spent just on food due to the ongoing inflation.

A CPD study published last week found that a basket of 20 common food items, including rice, chicken, fruits, cooking oil for a four-member family in Dhaka city was Tk 21,358 on May 30.

Add to that the minimum house-rent of a three-bedroom flat, expenditure for basic health, hygiene, education, transportation and telecommunication – the minimum monthly expenditure comes to Tk 70 thousand, which is the entirety of the monthly earning of many middle-income households.

The only way to bring down that expenditure by just Tk 10,000 would be to completely cut off animal protein, except eggs.

This math shows that for many households, there is nary a torn banknote left to save, let alone enough to pay the income tax with.

The budget proposes that subsidised rice be sold at Tk 10 per kg, with microfinance for small traders and Family Cards for the poor. There is, however, no such relief for those who are too rich to be poor or too financially stretched to be rich.

Currently, out-of-pocket healthcare expenditure is 77 percent of the total expenses in this regard, and this will continue to be one of the biggest threats to existence faced by middle-class families because the government's health budget is less than six percent.

At a roundtable session on June 5, Atiur

SEE PAGE 6 COL 4

BUDGET SNIPPETS

1 TAX-FREE INCOME LIMIT UNCHANGED

The tax-free income limit for individuals has been kept unchanged at Tk 300,000 for the next fiscal year. The threshold for women, senior citizens, individuals belonging to the third gender, physically challenged persons and wounded freedom fighters also did not see any change.

2 NO CHANGE IN WEALTH SURCHARGE

Wealthy taxpayers will not have to pay any increased amount of wealth surcharge in the next fiscal year as the ceiling on net wealth and the corresponding rate of tax surcharge have been kept unchanged for one more year. This is the second year the surcharge was kept unchanged.

3 PROOF OF TAX RETURN MANDATORY

Contractors and suppliers may have to pay an additional 50 per cent in source tax from the next fiscal year if they fail to submit the proof of submission of income tax returns.

4 TECH GIANTS TO COME UNDER TAX NET

Global tech giants such as Google and Facebook will come under the tax net from the next fiscal year as the National Board of Revenue seeks to make submission of returns mandatory for the firms that have no physical presence in Bangladesh but are doing business here.

5 SHOW PROOF OF RETURN FOR LOWER TAX ON INTEREST

Savers at banks and financial institutions will have to show the proof of tax return filing to enjoy a 10 per cent tax on their interest earnings. If savers fail to furnish proof, the rate of deduction will be 50 per cent higher.

6 PAY TAX ON TIME OR LOSE UTILITY SERVICES

The National Board of Revenue has sought to include a provision in the income tax law in the FY23 that would allow it to ask utilities to cut off the gas, electricity and water connections of users if they fail to pay bills on time.

GOLD IMPORT Advance tax withdrawn

SHARIFUL ISLAM

Withdrawal of the existing 5 percent advance tax on gold import has been proposed in the budget for fiscal 2022-23 to encourage import of the precious metal through formal channel and discourage its smuggling.

The government made the decision expecting that it will lead to much growth of local jewellery industry and increase tax revenue collection.

Annual local demand for gold ranges between 20 and 26 tonnes and a large part of it is recycled, according to industry insiders and customs officers.

But since the Gold Policy came into force in 2018, only 253kg was imported for business purposes through LC (letter of

SEE PAGE 6 COL 5

WHERE IS THE MONEY GOING?

Let's consider, for the ease of understanding, that the government has proposed an expenditure plan involving Tk 100. In this context, the highest (Tk 14.7) is meant for the education and technology sectors. The second highest allocation (Tk 11.9) is for paying interests, which are accrued for borrowing from local and foreign sources to fill the gap between revenue collection and expenses. The other top recipients are transport and communication, subsidies and incentives, and public administration.

