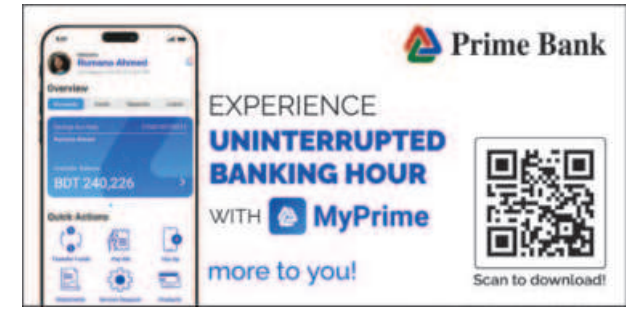


# Star BUSINESS



## RECOMMENDATIONS

- Raise tax-GDP ratio by taking steps against tax evasion
- Work intensively to widen tax net
- Give tax exemptions for limited time
- Establish integrated financial transaction system
- Train tax officials for improving tax efficiency
- Concentrate on reforming tax structure
- Withdraw tax exemptions from various sectors



## TAX SITUATIONS IN SOUTH ASIA

South Asian countries	Tax-to-GDP ratio (%)	Corporate tax rate
Bangladesh	7.9	32.5
Bhutan	13.6	25
India	18.1	25
Nepal	20.3	25
Pakistan	12.2	29
Sri Lanka	12.6	24
Afghanistan	7.6	20
Maldives	20.5	15

SOURCE: TAX FOUNDATION 2021 AND OTHERS

## SIZE OF INFORMAL ECONOMY AND ASSOCIATED TAX LOSS (In crore taka)

YEAR	SIZE OF ECONOMY (GDP)	INFORMAL ECONOMY AS % OF OFFICIAL GDP	TAX TO GDP RATIO	SIZE OF INFORMAL ECONOMY	TAX LOSS
2015	1,515,800	34.65	8.50	525,163	44,630
2016	1,732,800	34.77	7.32	602,503	44,085
2017	1,975,800	34.66	7.00	684,784	47,915
2018	2,250,400	34.65	7.73	779,881	60,299
2021	3,530,100	30.20	7.90	1,066,116	84,223

SOURCE: WORLD ECONOMICS AND 'BANGLADESH NATIONAL ACCOUNTS STATISTICS' DATA.

**The amount of tax evasion is estimated to be eight times the social safety net and welfare expenditures.**

**Khondaker Golam Moazzem**  
Research director of CPD

# Tax evasion costs Bangladesh up to Tk 223,000cr a year: CPD

### STAR BUSINESS REPORT

Bangladesh is losing potential taxes from as low as Tk 41,800 crore to as high as Tk 223,000 crore every year because of tax evasion committed by individuals and corporates, said the Centre for Policy Dialogue (CPD) yesterday.

The amount of tax losses rises when tax avoidance is taken into consideration.

The think-tank said overall potential tax losses would be between Tk 55,800 crore and Tk 292,500 crore annually and this needs to be cut so that the country can meet its expenditures aimed at economic development and public welfare.

"The amount of tax evasion is estimated to be eight times social safety net and welfare expenditures," said CPD Research Director Khondaker Golam Moazzem while presenting a paper on "Tax Transparency in the Corporate Sector: Impact on Public Revenue of the National Budget" at a media briefing.

The CPD and the Christian Aid organised the briefing at the former's office in Dhaka to share the findings of a study.

"This is happening in multiple ways such as showing lower incomes, unethical support from tax practitioners, claiming more investment allowances, individuals reporting lower

incomes, and higher informal or cash-based transactions," said Moazzem.

The amount of tax avoidance is 200 per cent of the public health expenditure, he added.

The revelation of tax losses comes at a time when Bangladesh's fiscal space has been facing persisting strain for

lift the ratio to 12 per cent and an additional Tk 250,600 crore to raise it to 15 per cent.

The number of taxpayers who file income tax returns regularly is very low in a country of around 17 crore people.

Moazzem cited CPD's previous study, which found that 68 per cent of the people did not pay

pays tax," said the CPD.

The CPD conducted key informant interviews for the study, blaming tax avoidance for the 5 and 25 per cent of tax losses and evasion for 15-80 per cent of unrealised tax collection.

Other reasons for the tax losses are exemptions.

The research organisation said eight types of industries, including jute, textile and knitwear, are enjoying reduced tax benefits of 3 per cent to 15 per cent.

The size of the informal economy is one of the key reasons for tax losses for the economy, said the CPD, adding that Bangladesh suffered an estimated loss of Tk 84,200 crore in 2021 due to the dominance of informal activities.

The size of the informal economy was 30.2 per cent of GDP in 2021, said Moazzem.

In his paper, the economist blamed corruption, lack of efficient manpower and inadequate infrastructure for the lower tax-to-GDP ratio and higher tax evasion.

"In order to overcome the challenges, corruption needs to be addressed," he said.

The CPD suggested Bangladesh work intensively to widen the tax net and bring businesses that are out of the tax net.

According to the think-tank, tax exemptions and related

incentives should be offered for a limited time.

Moazzem recommended promoting cashless transactions, saying digitalisation should take place under the integrated financial transaction system.

"As the corruption of tax officials is claimed to be the major cause of tax evasion, this needs to be addressed."

He urged the government to set an annual target on reducing tax avoidance through the gradual phasing out of tax incentives, tax breaks and other concessions for the established sectors.

"The national budget should withdraw all kinds of non-transparent tax-related provisions, including provision for whitening black money since they contradict tax transparency efforts."

"The government has allowed the legalisation of black money and it is against tax fairness and tax transparency. Such opportunity should be cancelled in the upcoming budget," he said.

CPD Executive Director Fahmida Khatun said, "If the tax management can be made better, modern, transparent, logical and fair, the fiscal imbalance in the financial sector can be reduced to a large extent."

"The government needs to put in place a plan for the next five years, outlining where it wants to go in terms of raising revenue."



lower revenue generation against elevated expenses.

What is more, Bangladesh has one of the lowest tax-to-gross domestic product (GDP) ratios in South Asia, prompting economists and multilateral lenders to suggest increasing revenue collection to enhance the country's capacity to bankroll expenditures.

Bangladesh's current tax-to-GDP ratio stands at 7.9 per cent, way behind the ideal benchmark of 15 per cent. So, the country needs to collect an additional tax revenue of Tk 145,000 crore to

income tax even though they had taxable incomes.

"This is a major reason why the tax-GDP ratio is not increasing," he said. "The tax net is very narrow and it needs to be broadened."

Citing data from the Registrar of Joint Stock Companies and Firms and the National Board of Revenue, the economist said 45,000 out of 2,13,000 registered companies and firms filed returns.

"This implies that the corporate income tax compliance rate is 21 per cent. In other words, one in five registered businesses

## Ceramics sales down as consumers cut back on expenses

JAGARAN CHAKMA

Sales of ceramics items have dropped by up to 20 per cent in Bangladesh as consumers cut back on their non-essential expenditures and the real estate sector faces a slowdown amid economic uncertainty and higher inflationary pressures, industry people said.

The prices of ceramic items have gone up owing to several factors such as the spike in raw material prices, the US dollar rate, transportation costs, and utility bills.

Manufacturers and traders say the cost of production in the ceramics sector has surged by 20 per cent to 30 per cent in the past eight months.

"The sales of ceramic products such as sanitary and tiles have gone down by around 20 per cent in the last six months owing to economic uncertainty and inflationary pressure," said Khourshed Alam, director for sales and marketing at Akij Ceramics Limited.



PHOTO: HABIBUR RAHMAN

"The price of ceramic items has increased 7 to 8 per cent during the same period. This has also affected the sales."

According to him, the production cost increased by 15 per cent to 20 per cent because of the tariff hikes of gas and power and the dollar price.

The taka has lost its value by about 15 per cent so far in the current financial year and about 25 per cent in the last one year against the US dollar, owing to the shortages of the American greenback.

Shamim Ahsan, a retailer in the capital, said the sales of ceramic products have improved from the lows of the coronavirus pandemic but they have not returned to the pre-Covid levels yet.

According to Alam, sales fell in rural areas as people don't feel interested in purchasing ceramic items due to higher consumer prices.

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### STOCKS

DSEX ▼	CASPI
0.06%	Flat
6,213.45	18,316.92

### COMMODITIES

Gold ▲	Oil ▲
\$1,971.8	\$79.83
(per ounce)	(per barrel)

### ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 0.19%	▲ 0.52%	▲ 0.68%	▲ 0.72%
59,106.44	28,188.15	3,281.08	3,296.40

## FRUIT PRODUCTION 5-year project now to take 10 years to complete

MD ASADUZ ZAMAN

Although the government has from time-to-time laid emphasis on the timely completion of projects, the agriculture ministry will seek a third extension for one on fruit production, taking the completion time to 10 years from an initial five years.

In its latest proposal, the ministry has sought an additional Tk 211 crore for the "Year-Round Production of Nutritious and High Value Fruits" project, which will take the total cost to Tk 671 crore.

The authorities have even proposed including some new components, according to planning commission documents.

One of them is to look after a 36-acre mango orchard situated in historic Mujibnagar Amrakanan in Meherpur.

Moreover, three new horticulture centres have been proposed to be set up in Gaibandha, Kustia and Jashore while another in Khagrachhari is set to be expanded.

The proposals are scheduled to be placed before the Executive Committee of the National Economic Council for approval today.

The Tk 195 crore project was undertaken in July 2015 and supposed to be implemented by the Department of Agricultural Extension (DAE) by June 2020.

In the first revision, it was extended by one year while the budget was increased by 53 per cent, taking the overall cost to Tk 299 crore.

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As Bangladesh currently meets about 60 per cent of its demand for fruits through imports at an annual cost of around \$30 million, the government took the project with an aim to train farmers, increase production and subsequently reduce dependence on imports.

PHOTO: STAR/FILE

## MoU today on resuming potato export to Russia

STAR BUSINESS REPORT

State-run Bangladesh Agricultural Development Corporation and private entity National Group Russia for Potato Export are expected to sign a memorandum of understanding today over the export of potato from Bangladesh to Russia.

Agriculture Minister Muhammad Abdur Razaque is scheduled to be present at the event in InterContinental Dhaka, according to the Ministry of Agriculture.

On May 6, 2015, Russia imposed a temporary ban on the import of Bangladeshi potatoes citing the presence of bacteria Ralstonia, which results in wilting and yellowing of leaves and stunted plants.

The ministry said 20,000 tonnes of potatoes were exported from

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