



Moody's cuts ratings for six local banks

STAR BUSINESS REPORT

US-based global ratings agency Moody's Investors yesterday Service downgraded the credit rating of six local banks by one notch, a day after it cut the sovereign credit rating for Bangladesh.

The six lenders are Brac Bank, City Bank, Dutch-Bangla Bank, Eastern Bank, NCC Bank, and Premier Bank.

The latest rating actions on the six banks follow Moody's lowering of the long-term rating of Bangladesh to B1 from Ba3 on May 30, said the company in a report yesterday.

RF Hussain, Selim chairman Association of Bankers, Bangladesh, a platform for managing directors of banks in the country, says READ MORE ON B3

Biscuit, sweetmeat may be cheaper

STAFF CORRESPONDENT, Ctq

The value added tax (VAT) on locally made biscuits and sweetmeat is likely going to be reduced in the national budget for fiscal year 2023-24 being announced today.

Meanwhile, prices of plastic goods used in households and all types of tissue paper may be raised in the budget.

Prices of raw materials used to make biscuits and sweetmeat have increased over the past few months and a VAT reduction has been sought from 15 per cent to 7.5 per cent for sweetmeat, said a finance ministry official.

Similarly, a 5 per cent VAT will be levied on biscuits costing Tk 200 per kilogramme (kg) and cakes which cost Tk 300 per kg, which earlier were Tk 150 and Tk 250 respectively.

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800,000 − Proposed budget Actual expenditure % of GDP 16% 15% 700,000 -14% 600,000 12% 500,000 **BUDGET: PLANNED AND** 10% **ACTUAL EXPENDITURE** 400,000 8% 300,000 6% SOURCE: FINANCE MINISTRY 200,000 100,000 **OPERATING BUDGET** In crore taka - SOURCE: FINANCE MINISTRY 3,00,000 2,50,000 - Proposed Development budget: 2,00,000 - Actual 1,50,000 -**Proposed and actual implementation** 50,000 -Proposed source: Finance ministry 250,000 200,000 50,000

Budget stuck in vicious cycle of non-implementation

SOHEL PARVEZ

The government is likely to fail to implement its national budget fully in the ongoing fiscal year owing to policymakers' overoptimism and a lack of capacity of public agencies.

If the current pace of execution continues in the remaining days of 2022-23, which ends on June 30. it would be the 14th consecutive year that the government would fail to implement the budget.

"Of course, it is a vicious cycle," said AB Mirza Azizul Islam, a former finance adviser to a caretaker government.

could have reaped from the full implementation of the budget."

expenditure plan to Tk 6.60 lakh crore. The revised amount is 97

Tk 6.78 lakh crore set at the start accountability. of the fiscal year.

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it would equal the highest rate should be a provision for reward "Every year, we allocate funds of implementation registered for success and punishment for but we can't utilise the entire in 2011. Bangladesh's average amount. As a result, Bangladesh budget implementation rate is deprived of the benefit it was 86 per cent since 2008-09, according to the finance ministry.

Islam, who placed budgets For 2022-23, the government for 2007-08 and 2008-09, said lowered its overall the main reason behind the failure to implement the planned budget is the incompetence expenditure plans as the

per cent of the planned outlay of of public officials and lack of

"You will have to introduce a If the revised target is attained, system of accountability. There failure.

Mustafa K Mujeri, executive director of the Institute of Inclusive Finance and Development, the budget-framing describes process as highly political.

"And the reality is that we see over-optimism in making budget looks to accommodate the demands of all sections of society although we know it will not be implemented. Those who are involved in making the projections are aware that the targets will not be attained. Yet, they keep setting higher targets."

"Our implementation capacity is not improving. But we do not pay attention to ensure proper

The former director-general the Bangladesh Institute Development said because of a lack of full implementation, it has been difficult to keep priorities.

"A higher amount of money is being spent on building hard infrastructure such as roads and highways, while the expenditure for soft infrastructure such as education, health and social protection is not expanding to that extent. We are falling behind in these important areas.

Voices of poor remain unheard in policymaking

Says economist Towfiqul Islam Khan

MD ASADUZ ZAMAN

The voices of disadvantaged groups, the poor and small entrepreneurs have remained unheard when it comes to policy-making as fiscal policies have been captured by vested sections of society, alleged Towfiqul Islam Khan, a senior research fellow of the Centre for Policy Dialogue.

The government is currently implementing a loan programme of the International Monetary Fund and this requires the country to take several measures to cut subsidy expenditures, reduce tax exemptions,

"During these adjustments, striking a balance between the interests of various groups will be critical. But in this tug of war, the voice of the general people often can't be heard," Khan told The Daily Star in an interview.

and enhance revenue collection.

He said this was felt during the policy adjustments in response to the ongoing crisis brought on by the Russia-Ukraine war and a lack of time-befitting measures at home.

Khan pointed out that the cuts in subsidies for petroleum products, agriculture inputs or electricity were frequent and drastic. In contrast, the government appears to be hesitant while

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Gold 📥	Oil 🔻	
\$1,959.75 (per ounce)	\$67.63 (per barrel)	
	\$1,959.75	

	ASIAN WARKETS				
	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
	0.55% 62,622.24	1.41% 30,887.88	0.9% 3,158.80	0.61% 3,204.56	
		,	3,100.00	3,23	

Are tax policies addressing inequality?

SOHEL PARVEZ

Bangladesh's economy has been growing at an average 6 per cent annually for the last two decades. Yet the country has witnessed a spike in income and consumption inequality.

Usually, fiscal those related to particularly tax, are tools that are used to reduce inequality through the redistribution of income.

But in Bangladesh, tax policies are not able to address the issue of inequality as 77 per cent of the revenues are collected through indirect taxes which fall on rich and poor equally irrespective of their income, exemptions and evasion as well various loopholes in the income tax system, according to

five economists. Direct tax is generally progressive in principle as the tax is collected on income. On the other hand, indirect taxes such as value-added tax or supplementary duties tend to be regressive.

"Our statutory personal income tax system is more progressive than the system on the ground," said Zahid Hussain, a former lead economist at the World Bank Bangladesh.

"This is because of various tax rebates and concessions that can be used and abused to evade taxes. So, instead of equalising, our direct tax system is not progressive to the extent it is designed to be."

Although the tax rates under an equitable and just society.



People wait patiently in a queue to purchase subsidised rice and flour in Bogura. Many think the tax system in Bangladesh is not geared to reduce income inequality. PHOTO: MOSTAFA SHABUJ

the indirect taxation system are the same for the rich and the poor, the amount paid by the poor is higher in proportion to their income.

Hussain explained the rich and the poor pay the same rate when they buy a product, such as edible oil.

"But a Tk 15 VAT paid against a purchase of Tk 100 by the poor is likely to be a much higher proportion to their income than in the case of the rich. All indirect taxes tend to have this feature."

Rizwanul Islam, a former special adviser for the employment sector at the International Labour Office in Geneva, says tax policy and fiscal policy as a whole can have a significant impact on income distribution and moving towards

"As indirect taxes are by nature regressive, a greater reliance on them, as opposed to direct taxes, goes against the principle of equity."

He answered in the negative when asked whether the tax policies and measures taken by the National Board of Revenue (NBR) over the years have been able to address inequality and make economic development inclusive.

"The direct tax-GDP ratio has declined over almost a decade. No attempt has been made to reduce the dependence on indirect taxes and raise the rates of taxes on higher income brackets. On the contrary, the corporate tax rate was

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High corporate tax for banks, insurers, telcos illogical'

AHSAN HABIB

High corporate taxes on banks, non-bank financial institutions, merchant banks, insurance companies telecommunication companies are not logical as their profit is not high compared to capital, said Shahidul Islam, chief executive officer of VIPB Asset Management Company.

Asset management companies collect funds investors from corporates and invest them in the capital and money markets.

government The reduced corporate tax for the listed and nonlisted companies by 2.5 percentage points in the current fiscal year.

"The move was good. But the corporate tax rate for financial institutions telecommunication companies has remained unchanged. The rate is very high for them.

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