

'Subsidy benefits don't reach us'

Marginal farmers demand govt lower prices of agricultural inputs

ANWAR ALI and MOSTAFA SHABUJ with PINAKI ROY

The government has spent more than Tk 28,000 crore as farm subsidies in the last two fiscal years. However, marginal farmers claim that they get very little benefits out of that.

In the 2022-23 fiscal, the government allocated Tk 16,000 crore as farm subsidies, while the amount was Tk 12,000 crore in the 2021-22 fiscal.

For the upcoming fiscal, the government has raised the subsidy and proposed an allocation of Tk 18,299 crore for agricultural subsidy.

Against the backdrop of the Russia-Ukraine war, fertiliser prices increased in the global market. So, the government has been compelled to increase subsidies.

"We are providing fertiliser, seed, other inputs and irrigation facilities at an affordable price to increase crop production. This was the objective of the increased amount of subsidy," said Finance Minister AHM Mustafa Kamal.

"Moreover, a 20 percent rebate on electricity bills has been provided for the electricity use in irrigation pumps," he told the parliament.

Even agriculture inputs and credit facilities are being provided to farmers through the "Krishi Upokoron Sohayota" card and the number of cardholding farmers has now increased to around 2 crore, he added.

However, this newspaper talked to many small and marginal farmers and found out that despite all the government initiatives and subsidies, they cannot make enough profit as the production cost of rice is very high.

Abdur Rouf, a farmer of Rajosh village under Gaibandha's Gobindaganj upazila, cultivated Boro paddy in a four-bigha land. He had to invest Tk 18,000 for cultivating one bigha, including the cost of land that he got on

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Higher borrowing may fan inflation

Worsen economic volatility

AKM ZAMIR UDDIN

The government will depend heavily on borrowing from Bangladesh Bank to manage its budget deficit in the next fiscal year amid the tax authority's continuous failure to generate adequate revenues, a reliance that may stoke inflationary pressures and worsen the current economic volatility.

In Bangladesh, tax revenue remained among the lowest in the world at an estimated 7.6 percent of the GDP in 2021-22. And the National Board of Revenue (NBR) is again staring at failing to achieve the tax generation target in the current fiscal year, ending in June.

If the possibility turns into reality, this would be the 11th consecutive year that the tax authority will not achieve the goal set by the government.

Amid the continuous lower-than-expected revenue collection, the government has been forced to turn to the central bank and commercial banks to borrow funds in order to meet the deficit.

The government has already taken up a large volume of loans from the central bank this fiscal year and the borrowing trend is expected to continue in 2023-24 as well, as it will look to implement development projects leading up to the national election to be held early next year.

The higher borrowing from the Bangladesh Bank has already created an unstable situation for the entire economy and the scenario will get complicated if the trend persists since such borrowing leads to an injection of fresh money into the market.

The government has set a deficit financing target of Tk 261,785 crore for 2023-24. Of the amount, Tk 132,395 crore will come from the banking system.

The proposed deficit is 5.2 percent of the GDP for FY24, compared to 5.1 percent in FY23 and 4.6 percent in FY22.

Between July 1 and May 24, the government took loans to the tune of Tk 85,024 crore from the banking sector. Of the sum, Tk 69,208 crore came from the BB.

Owing to the fund injection, the volume of notes and coins in circulation is increasing. In Bangladesh, this money can multiply by as much as five times. So, the Tk 69,208 crore may end up being Tk 346,040 crore.

This extra money in the hands of people will create an additional demand for goods, which, will in turn drive up prices and fuel inflation, which came within a whisker of a decade high in April.

And there is a possibility that the government may miss its goal of mobilising funds from external sources as well.

The government has aimed to take loans amounting to Tk 102,490 crore in FY24 from foreign sources to finance the deficit. But it could not manage such a large amount of funds from abroad in the past.

It took foreign loans worth Tk 65,021 crore in FY22 and has set a borrowing target of Tk 83,819 crore for FY23.

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No remedy for default loans, forex crisis

REJAUJ KARIM BYRON and MD FAZLUR RAHMAN

Though higher default loans and declining foreign currency reserves have been identified as the biggest risks to the economy of Bangladesh in recent times, Finance Minister AHM Mustafa Kamal yesterday fell short of coming up with any definitive measure to address the twin issues save offering some words of hope.

On the other hand, because of the fiscal policy, which aims a higher government borrowing from the banking system in 2023-24, the pressure on the reserve will pile up further.

In order to rebuild the reserves, Kamal said the current initiatives on import controls, boosting exports and remittance flows, and utilising more foreign loans would continue.

"Hopefully, the reserve situation will improve in a short period of time," the finance minister said in his budget speech.

Since the beginning of the current fiscal year in July last year, the government has followed its measures related to import, export, remittance and foreign loans, but the steps did not pay off to a large extent: imports have stayed at an elevated level and the earnings from export and remittance, the two biggest sources of foreign currencies, have not met expectations.

So, the reserves plunged 29 percent year-on-year to \$29.96 billion on May 25 in contrast to \$42.29 billion on the same day last year as the country has had to settle import bills to keep the economy functioning.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the target on the deficit financing would compound pressure on the reserves.

"The extent of the pressure will depend on how the financing will be met," he said, terming the plan expansionary.

Kamal has set a deficit financing target of Tk 261,785 crore for 2023-24. Of the amount, Tk 132,395 crore will come from the banking system.

At the beginning of 2022-23, the government aimed

to borrow Tk 106,334 crore from both Bangladesh Bank and commercial lenders. Later, it was revised up to Tk 115,425 crore.

Again, a major part of the funds is being sourced from the central bank, which means an injection of fresh money into the economy that entails risks of stoking inflationary pressures and bringing down the reserve level.

US ratings agency Moody's said the reserves would not recover to pre-pandemic levels in the next two-three years.

A wide gap in formal and informal exchange rate has been one of the factors behind the sharp fall in the reserves as it shifts remittances from official channels to unofficial routes and impedes repatriation of export proceeds, according to the World Bank.

Yesterday, Kamal said the process of making the interest rate and the exchange rate market based is going on. He did not give any deadline.

The central bank has maintained a 9 percent cap on loans while there are a number of exchange rates of the US dollar.

The \$4.7 billion loan programme of the International Monetary Fund has set a deadline for Bangladesh to put in place a market-determined interest rate and the exchange rate mechanism by July.

"We have to wait until the middle of this month to see what measures are taken in the monetary policy about the two rates," said Zahid Hussain.

The central bank will unveil the monetary policy this month.

In his speech, Kamal said the government would try to remove default loans and other anomalies in the financial sector and continue efforts to develop the banking sector.

The Bangladesh Bank is preparing various procedural guidelines, he said.

"Our government is working to ensure good governance and efficient management in the financial sector."

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Tax subsidy costs nation Tk 1.78 lakh crore in FY23

STAFF CORRESPONDENT

The total amount of tax subsidies given in the form of rebates, discounts, exemptions, and reduced rates has been calculated to be at Tk 1,78,241 crore in the outgoing fiscal year 2022-23.

The amount, which is referred to as the direct tax expenditure, is up more than 41 percent from Tk 1,25,813 crore in FY21, which accounted for 3.56 percent of the gross domestic product.

The data was revealed as the National Board of Revenue, for the first time, estimated the expenditure based on the analysis of field-level data.

Direct tax expenditure is a form of tax subsidy that includes rebates, discounts, exemptions, reduced rates of taxation and exclusion of income from computing total taxable income.

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That means if this subsidy was collected as tax, it would be added to the total tax collected and the amount of tax would increase.

According to the government, direct tax expenditure creates employment along with economic stimulation, social balance and industrial support.

Of the direct tax expenditure in FY21, Tk 85,314 crore was given at the corporate level and Tk 40,499 crore at the individual level.

PERSONAL INCOME TAX



MINIMUM TAX FOR INDIVIDUAL

MINIMUM TAX	FY23 MINIMUM TAX	FY24 MINIMUM TAX
Dhaka and Chattogram city corporations	Tk 5,000	Unchanged
Other city corporations	Tk 4,000	Unchanged
Other areas	Tk 3,000	Unchanged

TAX EXEMPTED INCOME FOR INDIVIDUAL TAXPAYERS

CATEGORIES	FY23 TAX-FREE INCOME LIMIT	FY24 TAX-FREE INCOME LIMIT
Women and 65 years plus citizens	Tk 3,50,000	Tk 4,00,000
Challenged persons	Tk 4,50,000	Tk 4,75,000
War-maimed freedom fighters	Tk 4,75,000	Tk 5,00,000

PERSONAL INCOME TAX SLAB & RATE

ANNUAL INCOME	FY23 TAX RATES (IN %)	ANNUAL INCOME	FY24 TAX RATES (IN %)
Up to Tk 3,00,000	Zero	Up to Tk 3,50,000	Zero
Tk 3,00,001-Tk 4,00,000	5	Tk 3,50,001-Tk 4,50,000	5
Tk 4,00,001-Tk 7,00,000	10	Tk 4,50,001-Tk 7,50,000	10
Tk 7,00,001-Tk 11,00,000	15	Tk 7,50,001-Tk 11,50,000	15
Tk 11,00,001-Tk 16,00,000	20	Tk 11,50,001-Tk 16,50,000	20
Tk 16,00,001	25	Tk 16,50,001	25

WEALTH TAX SURCHARGE SLABS

NET WEALTH	SURCHARGE RATES (IN %)
Upto Tk 4 crore	Zero
Tk 4 crore plus to Tk 10 crore, or ownership of more than one car, or ownership of 8,000 square feet house property	10
Tk 10 crore plus to Tk 20 crore	20
Tk 20 crore plus to Tk 50 crore	30
Tk 50 crore above	35