

Why put unjust tax burden on citizens?

Govt should scrap plan to impose minimum tax on low-income TIN holders

We agree with the Centre for Policy Dialogue (CPD) that the government's proposal to levy a minimum tax of Tk 2,000 even on those without taxable income is both "discriminatory" and "contradictory" to the principle of a tax-free income threshold. Since its unveiling at parliament on June 1, the national budget for FY2023-24 has come under criticism for a variety of reasons, including this provision which shows why the government's tax policy needs to be re-evaluated.

Fahmida Khatun, executive director of the CPD, has aptly pointed out that a mandatory minimum tax for low-income TIN holders is not logical. Her comment resonates with the concerns of many citizens who will be affected by this policy. True, the government has increased the tax-free threshold from Tk 300,000 to Tk 350,000, which boils down to a monthly income of Tk 29,166. But it's nothing to cheer about given the insanely high cost of living, with a family of four in Dhaka being forced to spend a whopping Tk 22,664 on food alone each month. Against this backdrop, the move to burden low-income TIN holders with a minimum tax, even if they don't have taxable income, means further trouble for them. Although the NBR chairman thinks it shouldn't be seen as a burden – but rather as a "matter of pride" – those in the low-income bracket are unlikely to see it that way, with the financial noose around their neck tightening ever more thanks to the government's heavy reliance on indirect taxes such as VAT and customs duties for revenue generation.

The minimum tax provision thus undermines the very purpose of raising the tax-free threshold. If approved, it will force individuals with earnings below the threshold to file returns unnecessarily, adding to their financial and bureaucratic burdens. (As per income tax rules, individuals must submit returns to access 38 services.) Adding to the concerns raised by the CPD is the increased minimum net wealth exemption limit, which has been raised from Tk 3 crore to Tk 4 crore. This may leave a significant number of affluent individuals outside the surcharge net, revealing a double standard in the government's approach.

Such inconsistencies and discriminatory approaches run contrary to the principles of equity and justice, and should therefore be removed. The government should instead focus on expanding the direct tax base by incentivising tax compliance, improving tax administration, and taxing the affluent more fairly.

Dhaka can't afford losing more greenery

DNCC's tree felling spree must stop

We are alarmed by the news of the Dhaka North City Corporation (DNCC) felling trees on the median strip of Mohakhali-Gulshan Road in an apparent bid to expand its traffic island. According to our report, it has already felled hundreds of trees in the last six months while working on the 1.7km median strip under a road development project. During a recent visit, our reporter has found at least 30 tree trunks scattered in various places. It is unthinkable that the DNCC would allow this to continue despite the criticism faced by the Dhaka South City Corporation (DSCC) for its tree-felling spree on Dhanmondi's Satmasjid Road last month. The initiative also undermines the DNCC mayor's recent pledge to plant two lakh trees over the next two years to reduce the city's temperature, as well as his own instructions to carry out development work without cutting trees.

Reportedly, DNCC authorities felled the trees without obtaining necessary permission from the forest department, which is a clear violation of Section 5 of the Forest Product Transit Rules-2011. Workers have said that the trees were cut down to make the new median strip more convenient. We cannot help but ask: couldn't the expansion work be done by keeping the trees? Reportedly, Tk 22 crore has already been spent for the road improvement project. The question is, is such improvement really necessary or worth the money when it is severely degrading our environment? The result of such onslaughts on the city's green spaces is that it has become a heat island, with the residents suffering severely as a consequence.

Dhaka has already lost much of its greenery. While 20 percent of green space is required in the city, it has less than 8.5 percent left at present. And with such ill-planned development activities underway, we may lose the remaining greenery soon. The task ahead is then simple: the authorities must stop all such activities, and plant more trees than are cut to ensure the liveability of this city and the well-being of its residents.

LETTERS TO THE EDITOR

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Congratulations to Mohammedan SC

The Mohammedan Sporting Club (MSC) edged arch-rival Abahani Limited in an eight-goal thriller in the final to win the Federation Cup after 14 years. The last time Mohammedan won the title was back in 2009, when they beat the same side, also on penalties. This was also Mohammedan's first trophy since their Independence Cup victory in 2014. Above all, the final match turned out to be "Diabatical." Malian forward Souleymane Diabate scored four goals in full match time and another in tie-breaker. The last surprise was substitute goalkeeper Ahsan Habib Bipu, who saved two penalties in the tie-breaker. After a long time, this win not only satisfied the Mohammedan fans, but also gave new life to domestic football. Congratulations to Mohammedan Sporting Club. Go ahead, Bangladesh football.

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Delving into the new US visa policy



THE STREET VIEW

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Bangladesh recently witnessed a rare turn of events in its political history: the ruling Awami League and the main opposition BNP both welcomed a US decision to impose visa restrictions on a wide range of officials and their families in the country in the event of election-related breaches. Although their reasons are different, both parties welcoming the move is quite embarrassing for the nation because, after all, it is the political parties that are responsible for this humiliating measure.

To begin with, it is completely up to the discretion of the United States government to determine whom it will allow into the country and whom it will not. Many people are denied US visa every day. But visa restrictions as a policy matter, because this policy applies to people who are found to be involved in or responsible for thwarting or impeding the democratic process and/or elections in Bangladesh. Their family members, too, will be denied US visa as a consequence.

Its geopolitical interests aside, the US has always stressed that democracy must be at the core of Bangladesh's politics. After the last two national elections, people seem to have little interest in the upcoming general elections, with many saying publicly that it would be just for show.

Seeing the ruling Awami League welcome the latest US move, one may wonder if they, too, implicitly admit that the measure is justified because democracy is actually being undermined in Bangladesh. Although the ruling party claims that the visa ban is, in fact, aimed at the opposition, a close examination reveals that it is largely targeted at the ruling party and the government machinery. Surely, the BNP cannot avoid the responsibility either, since they, too, have a crucial role to play in upholding democracy in Bangladesh.

What is further significant is the timing of the US visa policy. BBC Bangla reports that Bangladesh is the fourth country to face such visa



ILLUSTRATION: REHNUMA PROSHOON

restrictions in recent years. The three other countries are Nigeria, Uganda and Somalia, where visa restrictions were imposed after the elections. For Bangladesh, however, the restrictions have come almost seven months before the national elections are scheduled to take place.

This preemptive action seems to be a warning. It can also be interpreted as a precursor of something more to come. On the flip side, the preemptive measure also allows the Awami League to address the issue and explore what might assuage the US. At the same time, this measure also takes the air out of BNP's threat to boycott the elections if not held under a neutral caretaker government.

In his question-answer session on May 24, US Department of State spokesperson Matthew Miller said it

was a signal from the US. "...I think it is a signal by our part that we support free, fair, and peaceful elections in Bangladesh, and we have the ability to hold anyone accountable who hinders the – any free, fair election in the country. And it's – it is a signal... it is a signal to all members of society, as I mentioned – military security forces, members of judiciary – that we have

the US made this decision after careful consideration. If it imposed sanctions on certain individuals or institutions, there would be scope for criticising it. But that is not the case here. Some commentators have likened it to the age-old police tactic where they file cases against "unknown persons" just to be able to implicate or harass certain groups of people later. The visa

restrictions, they say mockingly, are like those "ghost cases."

It is interesting to note that the restrictions target a section of society that covets the US visa. They want to send their children to schools and universities in the US. Some have amassed wealth and assets in the US and must have a plan to get there sometime to enjoy their fortune. In other words, the political, administrative, judicial, and social leaderships that run our country and determine our policies have sadly forsaken the future of Bangladeshis in favour of their own selfish interests – like ensuring a better future for themselves in foreign countries like the US. Now that it could be under threat, would they be willing to risk all of that just to favour one side over the other in the elections?

On another note, while it is still unclear whether these restrictions are more serious than the sanctions earlier imposed on the Rapid Action Battalion (Rab), there is no doubt that the impact of the new visa policy is substantially more far-reaching. It is also clear that

How to correct global imbalances?



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The global economy and planetary system are hugely imbalanced because of climate warming and widening social inequities. Big Power rivalry and disruptive technology threaten to push these imbalances further beyond fragility, towards even collapse. What should we be doing about these existential threats?

The simplest way is not to think about them, or another way is to deny that these problems exist. Another option is to consider that these huge issues are way beyond our pay grade, so it's really the responsibility of our political leaders or someone else to solve them. We can't solve them individually, so someone else must do the work. We might as well add political and business dysfunctionality to the "what-me-worry" box.

My training as an accountant is to default to the balance sheet, because it should always balance. What is that balance sheet telling us?

McKinsey's latest update on the global balance sheet, "The future of wealth and growth hangs in the balance," showed that until recently, the three interlocking balance sheets of the financial sector, liabilities of the non-financial sector and the real economy have been inflating faster than the real GDP growth. Two years ago, their first estimates showed that the global balance sheet basically tripled over the 20 years from 2000 to 2020, mainly due to asset price

inflation. Asset price inflation occurred under loose monetary policy and lower interest rates, essentially a short-term action to pump up growth. Since the 2008 global financial crisis, advanced country interest rates have declined to near zero until last year. In 2022, after the Ukraine war shock, the US led the interest rate hikes to deal with higher energy and food inflation, which meant that for the first time, global households lost \$8 trillion in net wealth as equity and bond prices tumbled.

McKinsey undertook four long-term scenarios to see how the world balance sheet would evolve – namely, return to the past era of higher interest rates and inflation, balance sheet reset, and productivity acceleration. Under the first scenario, with essentially more of the same policies like the past 20 years, we will have weak investment and savings glut plus sluggish growth. In the second, higher interest rates are maintained so that real interest rates are positive, so real growth and investment will be stimulated, but there will be losses in real wealth values. The third scenario is like Japan after its real estate and equity bubble burst in the 1990s, with drawn-out deleveraging and a sharp contraction in asset prices. This could be very painful for many of the rich ageing economies and bad for the emerging markets, with sharp drops in both equity and real estate markets.

The fourth and ideal scenario is to accelerate productivity, so that economic growth will catch up with the balance sheet, meaning that the global economy gains in income, wealth, and balance sheet health.

This McKinsey scenario building (not forecast) comes out similarly to recent World Bank long-term projections, which showed that the

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global potential growth rate will fall to a three-decade low over the rest of the 2020s, because all the drivers of growth have weakened, such as growth rates of investment, total factor productivity, an ageing global labour force, and international trade growth.

Add to this the fragmenting global consensus, decoupling supply chains, climate change and disruptive technology plus war, and it's a small wonder that the outlook is gloomy. McKinsey argued that accelerating productivity growth will require not just policy imagination, but bold investments in youth, empowering those underprivileged groups in terms of education, re-skilling, health and infrastructure.

In short, think and act long-term.

While we recognise that Great Power rivalry stalls global cooperation, this does not mean that many countries, like those in Asean, cannot undertake imaginative policies to

enhance productivity domestically and build regional cooperation regimes in trade, investment, education and infrastructure. The ants will still build their nests even while the elephants fight.

Economists and technologists are always puzzled by the missing productivity numbers despite rapid acceleration of computer technology. Specialists often forget that productivity is an ecosystem trait that can only show up when you manage the ecosystem to function as a whole, rather than in parts. In other words, management and organisational skills are key to ensuring that all parts of the system function to deliver productivity as a whole.

Policymakers often wonder why many policy objectives look wonderful in aspiration and inspiration, but their delivery is dull. This is because ecosystem building is for the long-haul and will necessarily take time, so that those who go for "low hanging" fruits find that these are either not sweet or rot too quickly. One of the defects of electoral democracy and free market policies is that both politicians and businesses focus on the short-term election or reporting cycle. The politician needs to meet a four-five year election cycle at the national level, but if you add in local elections, most of them are electioneering every two years or less. The businessman who reports every quarter on profits will focus only on delivering short-term profits at the cost of long-term projects.

Short-term gains are always at the cost of long-term growth. How to get everyone to focus on the long-term? Only through a deep recession or big mutual pain.

Sad facts from mad politics and bad economics.

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