



Fishermen repair their nets before heading out to catch hilsa in the Bay of Bengal. A huge number of unskilled and low-skilled workers are struggling to meet their living expenses as their wage growth has remained below the inflation rate for the past 19 months. The photo was taken at the Mahipur fish landing station in Kalapara upazila of Patuakhali yesterday.

PHOTO: TITU DAS

China's economic headwinds could hit region: US

REUTERS, Washington

China's economic problems are more likely to affect the region than the United States, US Deputy Treasury Secretary Wally Adeyemo said on Monday, a day after President Joe Biden called China's economic situation a "crisis."

Beijing has the resources to deal with its economy short-term but must face longer-term structural economic issues such as demographics and high debt, Adeyemo said in television interviews.

"Those are going to be far harder for them to deal with over time," he told CNN.

Fears of an economic slowdown have gripped China, whose leader skipped the G20 summit this past weekend. Biden on Sunday said China's growth was slowing due to a weak global economy as well as Chinese policies, although he did not cite specific policies.

Income Tax Act 2023 and compliance challenges for companies

SNEHASISH BARUA

The Income Tax Act 2023 came into effect in June. The law, which replaced the Income Tax Ordinance 1984, has received appreciation from various quarters. At the same time, it has created some concerns among finance and tax professionals regarding compliance challenges.

Based on my review of the income tax law and discussion with finance and tax professionals, I figured out some challenges in the implementation of the law. Here are some of the major issues that require wider discussion:

Disallowance of expenditure

The income tax law 2023 says expenses of an assessee or taxpayer will be disallowed by tax officials if the taxpayer fails to collect the proof of submission of tax return (PSR). But Bangladesh's economy is yet to be formalised. A large portion of the economy is informal, and in many cases, suppliers do not even accept cheques let alone PSR.

Under the circumstance, an assessee has to count the tax deducted at source (TDS) and pay from their own fund to avoid the risk of disallowance. Now, this will still be required to avoid penal risk from TDS.

Yet, this will not be enough to mitigate the significant risk of disallowance due to a lack of PSR. There are some autonomous bodies where a company is required to pay fees for business purposes. These autonomous entities still do not have electronic tax identification numbers. Hence, the cost of doing business is expected to rise substantially unless steps are taken to collect PSR in the mandatory areas.

There are some good parts of PSR too which one cannot ignore.

The number of tax return filers increased to 36 lakh in the assessment year of 2022-23 and PSR was the major driver behind the growth.

Now, the government needs to take some initiative to ensure proper compliance with the law. The tax authority can arrange stakeholders' awareness campaigns so that all are aware of this provision, discuss with other government entities so that they get registered, and update the electronic verification database for PSR verification so that all tax returns can be verified online.

Salaries thru banking channel

Previously, a business entity could provide a salary not exceeding Tk 20,000 through cash. The Income Tax Act 2023 has repealed the provision.

With the massive expansion of mobile financial service (MFS), it would not be so hard to implement it. But the government should ask MFS providers to reduce their charges for the marginal income earners so that their net earnings don't get affected by the charges since the fees may be borne by companies.

Tax exemption

An assessee will have to file the tax return within Tax Day, otherwise, a 4 percent monthly simple interest will be imposed on the person. Moreover, a 15 percent simple interest will be imposed on the shortfall of advance income tax.

The taxpayer will not be entitled to enjoy the tax on the income, benefit of reduced tax rate and tax rebate. Hence, this provision is expected to increase compliance culture.

We all talk about our low tax-GDP ratio but don't specify any real solution. The PSR has proved its worth already.

The National Board of Revenue should also address the real limitations, if any, as early as possible. Increased tax filers will surely ensure a level playing field and increase the tax net.

The writer is managing director of SMAC Advisory Services Ltd

No respite for workers as wage growth stays behind inflation

MD ASADUZ ZAMAN

Mrinal Biswas, a resident of Botiaghata upazila in Khulna, doesn't find job opportunities every day. And when the 62-year-old fisheries worker is lucky to be employed, he earns Tk 500 per day.

Thus, Biswas, who toils for hatcheries, worked 16 days last month, thus earning Tk 8,000.

"But it is tough to maintain a family of five with the income," he said.

"The price of everything has increased, but our income didn't increase at the same pace. In fact, our income hasn't increased for more than one year."

Bashudeb Mojumder, a day worker in the south-western district, echoed Biswas.

"Day-labourers who don't have agriculture land or other earning sources are finding it difficult to maintain a minimum standard of living," he said.

Biswas and Mojumder are among the hundreds of thousands unskilled and low-skilled workers in Bangladesh who are struggling to make ends meet owing to persistently high inflation and lower wage growth.

The wage grew 7.58 percent for low and unskilled workers in August, which was 2.34 percentage points below the inflation rate of 9.92 percent in the month, data from the Bangladesh Bureau of Statistics (BBS) showed.

This means the wage growth has been behind the inflation rate for the past 19 months.

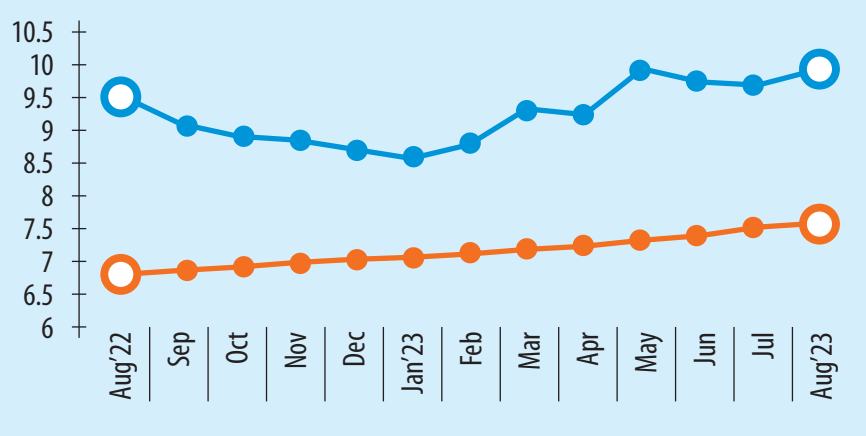
The Wage Rate Index of the national statistical agency takes into account the wages of informal sector workers across 44 occupations in the agriculture, industry and service sectors who get their payments on a daily basis.

The overall wage rate for workers in the industrial and service sectors has declined while it increased in the agriculture sector.

INFLATION AND WAGE RATE GROWTH IN BANGLADESH

In %; SOURCE: BBS

● Inflation ● Wage Rate



Division-wise, the wage rate in Dhaka, Chattogram, Rajshahi, Sylhet and Mymensingh divisions went up. On the other hand, it decreased in Rangpur and Barishal while the rate remained stable in Khulna.

Analysts say the widening gap between the inflation rate and the wage growth rate is forcing low-income and unskilled workers to cut consumption amid falling real incomes and the rising cost of living.

"It's an alarming situation. The higher inflation is putting pressure on the real income of the low-income people," said MM Akash, a former chairman of the economics department at the University of Dhaka.

He said the real income of workers has decreased significantly since the wage growth did not keep pace with higher

inflation. As per the BBS's Food Index, the cost of food increased by 20 percent in the past one year to August while the wage rate went up by just 11 percent, said Prof Akash.

So, low-income groups are now compelled to cut down the intake of nutritious food as well as non-food items, he said.

"We have not seen such a price increase since 2010. It's a unique situation."

According to the noted economist, the lingering effect of the coronavirus pandemic, the price hike of fuel globally, internal market failures, deficit financing and a lack of synchronised fiscal and monetary policies are all making the recovery from the war-induced crisis slow.

"We should learn from Sri Lanka on how to tackle such a crisis and turn

around quickly. Otherwise, we will have to face both political and economic instability."

He suggested the government take urgent measures, especially those involving fiscal and monetary policies and expand the safety net programmes.

"Reining the inflation is the key challenge now," said Mustafa K Mujeri, executive director of the Institute for Inclusive Finance and Development.

He said the rate of inflation is growing fast in Bangladesh whereas countries such as Sri Lanka have brought it under control.

He said food prices in the global market have reached a moderate stage, but the situation is different in Bangladesh.

"As a result, there has not been much scope to blame global factors for the higher inflation in Bangladesh."

The former economist of the central bank urged the government to focus on domestic factors, including market management and monetary policies, to curb higher prices.

Mujeri said the local market has become unstable suddenly as some unscrupulous traders are trying to make unusual profits. This type of situation creates pressure on low-income people who usually spend 70 to 80 percent of their income on food items.

He warns if the government does not rein in inflation soon, the lower-income groups will not survive long.

He suggested the government strengthen the existing social protection schemes as temporary measures to give some relief to them.

Rizwanul Islam, a former special adviser of the International Labour Office in Geneva, said as increases in money wages have been falling behind price increases, the real wages have been falling.

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EU cuts eurozone 2023 growth forecast

AFP, Brussels

The European Commission cut its 2023 and 2024 eurozone economic growth forecasts on Monday, with the single currency area weighed down by Germany's poor performance.

The EU's executive arm predicted the German economy would contract by 0.4 percent in 2023, compared to a previous forecast of 0.2 percent growth.

Germany faces recession in its vast industrial sector and a lacklustre performance in exports, both of which have significant impacts for the whole of the economy.

In its report, the commission pointed to manufacturing weakness and said Germany was "hit particularly hard" by energy price shocks linked to the war in Ukraine.

The European Central Bank's efforts to tame inflation via interest rate-hikes also contributed to the slowdown in the eurozone, the report added, days before the ECB meets to decide whether to raise borrowing costs again or pause its campaign.

The International Monetary Fund had already predicted Germany would be the only major advanced economy to shrink in 2023.

Growth in the eurozone and the European Union as a whole will continue but will be lower than predicted earlier this year.

In May, the commission said the eurozone would grow by 1.1 percent in 2023 -- but revised that on Monday to 0.8 percent.

"While we avoided a recession last winter, the multiple headwinds facing the EU economy this year have led to somewhat weaker growth momentum than we projected in the spring," the economy commissioner, Paolo Gentiloni, said during a press conference.

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A shopper pays with a euro bank note in a weekly market in Nice, France.

PHOTO: REUTERS

IMF urges pact to boost its resource quota, strengthen world economy

REUTERS, New Delhi

It is vital to increase quota resources for the International Monetary Fund (IMF) before year end, its chief, Kristalina Georgieva, said on Sunday, while urging members of the G20 bloc to deliver on a promise of \$100 billion a year in climate funds.

In a declaration at its summit in New Delhi this weekend, the grouping vowed to tackle debt vulnerabilities in low and middle-income countries "in an effective, comprehensive and systematic manner", but offered no fresh plan of action. "G20 members must lead by example in delivering on the promises of \$100 billion per year for climate finance, supported by strengthening the multilateral development banks," Georgieva said in a statement at the end of the two-day summit.