

The Daily Star

FOUNDER EDITOR: LATE S. M. ALI

## An election unlike any in recent past

Indian election results have lessons for Bangladesh, too

Over the last decade, few surprises perhaps came as heartwarming to observers of India's democratic journey as the ones from its latest Lok Sabha election. The Indian election authorities rightly deserve kudos for successfully conducting the world's—and history's—largest democratic exercise that, over six weeks, saw 64.2 crore people vote, including a record 31.2 crore women. That in itself is a watershed moment that needs to be celebrated. The staggered election has also thrown up some big surprises, especially the ruling Bharatiya Janata Party's (BJP) failure to secure an outright majority for the first time since sweeping to power in 2014, as well as the rise of a strong parliamentary opposition.

The relative peace and enthusiasm that marked the election serve as a lesson for countries like Bangladesh where violence and poor voter turnout have become synonymous with the electoral exercise. It stands as a testament to people's power, and the fact that a fair election is possible despite sharp ideological divides among the contesting parties. The election results, from that perspective, can be seen as a popular rejection of attempts to sully India's secular legacy. We have seen how the Hindutva and anti-immigrant rhetoric was used, especially by BJP, to rally voters behind its re-election campaign. While PM Modi is set to return to power for a rare third consecutive term, one hopes for the sake of ordinary Indians and the region at large that such divisive rhetoric will come to an end.

Perhaps the biggest surprise of all—one that we can particularly relate to—is the resurgence of the Congress-led opposition alliance, INDIA, which secured 232 seats against BJP-led NDA's 293. It is a defeat that feels more like a victory considering the last decade, as some observers said. We cannot deny the significance of a strong parliamentary opposition in democracy. A strong opposition ensures checks and balances, preventing any single party or leader from holding excessive power. By scrutinising government actions and policies, it holds the government accountable to the public. Without a robust opposition, democracy can become stagnant, unresponsive, and vulnerable to authoritarianism. The Indian experience thus offers a lesson for Bangladesh where the lack of such an opposition has been acutely felt for long. Equally instructive has been the rebalancing of powers among coalition partners—with BJP having to rely on smaller allies—which also provides stability in parliamentary affairs.

The drama over the Indian election may not be over yet, as speculations over the formation of the next coalition government continues. As a neighbour and friend, it is our hope that Indian voters' desire to see a pro-people, pluralistic polity will be honoured regardless of what the next government looks like. We also hope that the two countries can continue on a path of mutual respect and growth in the coming days. As for those involved in Bangladesh's politics and electoral exercise, they can certainly take a leaf or two out of the Indian book.

## Another blame game afoot

Authorities must take responsibility for Malaysia migration debacle

Following the debacle that led to 16,970 aspiring migrant workers failing to reach Malaysia before the deadline of May 31 set for migrants' entry, a blame game seems to be afoot. One the one hand, the Bangladesh Association of International Recruiting Agencies (Baira) denied responsibility for the disaster, blaming the Malaysian government and Bangladesh's Ministry of Expatriates' Welfare and Overseas Employment for the mismanagement. On the other hand, the relevant state minister hinted that the Malaysian government was at fault for the issuance of e-visas beyond the deadline, but said it was pointless to blame anyone right now, while denying the existence of any syndicate among recruiting agencies.

We, however, cannot help but disagree. For it is absolutely essential to identify who is at fault for such a catastrophe, and hold them responsible. We have seen such problems arise repeatedly in the past, which suggests that this is not a one-off issue but a systemic one—in which the subject of syndication comes up every time. In fact, the reason given by the Malaysian authorities for repeatedly stopping or restricting access for our migrant workers has been the syndicate problem, along with the mismanagement and corruption that come with it. Even UN experts, in a report, expressed concerns for our migrants and mentioned the hefty sums they have to pay because of criminal networks operating in Malaysia and Bangladesh in which "certain high-level officials" of "both governments are involved." So why is the minister denying their existence?

Baira, meanwhile, refuted the expat ministry's figure and said no more than 5,000-6,000 workers failed to travel abroad. However, data from the Bureau of Manpower Employment and Training (BMET) suggests otherwise. Why is that? Clearly, someone—or perhaps no one in this case—is not doing their job properly. Otherwise, why should there be any confusion at this point about the number of migrants who couldn't go abroad?

It is time for the relevant authorities to be finally held to account. The whole process of how we send migrants abroad, not just in Malaysia but other destination countries as well, needs to be revisited and reformed given how badly it has performed time and again. And most importantly, steps must be taken to reimburse and rehabilitate workers who could not travel abroad, despite paying for it, because of these systemic issues and failures.

## THIS DAY IN HISTORY



### Normandy invasion begins

Led by US General Dwight D Eisenhower, an Allied armada of ships, planes, and landing craft and some 156,000 troops began the invasion of northern France from England on this day in 1944—the famous D-Day of World War II.

## FY2024-25 BUDGET

# Whitening black money, raising taxes won't fix our economic ails



A CLOSER LOOK

Tasneem Tayeb  
is a columnist for The Daily Star.  
Her X handle is @tasneem\_tayeb

TASNEEM TAYEB

The possibility that the government may offer financial criminals a special facility to "whiten" their black money with just a flat 15 percent tax and full amnesty has raised concerns not just among the country's economists and civil society but also the common people. And rightfully so, for the honest breadwinners have to pay an income tax at 25 percent at the highest slab. Adding VAT and other indirect taxes that ordinary taxpayers are required to pay, this plan—which, unfortunately, is not a new phenomenon in Bangladesh—is ill-judged and unjust at the very least.

The Income Tax Act, 2023 allows legalising illegally amassed money by paying a mere 25 percent tax and a 10 percent fine on the tax amount. This time around, however, what's raising eyebrows is the nature of the special offer: no questions asked, just a 15 percent tax, and illegally earned money becomes legal.

Some may argue that bringing black money back into circulation would be good for our economy's health. But at what cost? It is a no-brainer that allowing such impunity to black money hoarders will encourage the practice further, and discourage honest taxpayers from paying their taxes compliantly. The maths is simple: it is a 50 percent saving on taxes if one simply turns their legitimately earned income into undisclosed money and then whiten it—no strings attached and no repercussion involved.

It has been suggested that such an unconditional scheme to legalise black money is required, as the last time such a facility was offered in FY2020-21, a record Tk 20,600 crore was legalised—enabling the National Board of Revenue (NBR) to collect Tk 2,064 crore in taxes—by about 12,000 individuals, including government employees, doctors, businesspersons, and bank sponsor directors, among others. But once this scheme was lifted, in the subsequent years, fewer people availed the offered options to

legalise illegal money.

Does this mean that the facility anticipated to be offered again would reduce the tax collection pressure on the NBR and inject more money into the economy? Not necessarily. We must remember that due to the travel and communication restrictions during the Covid pandemic, which essentially limited the hundi channels, people had little option but to keep their dirty money home, hence many availed the golden opportunity. The



VISUAL: SHAIKH SULTANA JAHAN BADHON

context in 2020-21 was different from that in 2024-25, and expecting to generate the same response from dirty money owners based on a general clemency and a flat tax rate might be a folly.

Interestingly, in this budget, the government is also planning to raise the highest tax slab back to 30 percent. While some may argue that such an increase is just and the right thing to do, we need to take a closer look at a few data points to understand how this would impact the salaried individuals.

As per the current slab, an individual with an annual income of Tk 3.5-4.5 lakh has to pay income tax at five percent. In the second slab, individuals

with an income up to Tk 7.5 lakh need to pay income tax at 10 percent. An annual income up to Tk 11.5 lakh requires payment of 15 percent income tax. Those earning up to Tk 16.5 lakh have to pay 20 percent income tax. Anyone earning more than Tk 16.5 lakh per year has to pay 25 percent of their income as income tax.

At a time when food inflation stands at 10.22 percent (as of April 2024), income growth is falling behind inflation, the taka has depreciated against the US dollar by around 36 percent (since January 2022), utility bills are rising, health spending has surged by over 202 percent, this tax regime is a staggering burden.

Some may argue that in India the tax-free income is up to 300,000 rupees per year, and the highest tax slab is 30 percent for an annual income of 15 lakh rupees and above. If we compare our tax regime with India's,

it is a biting blow for them, the simple reason being inflation. In 2014, when the 30 percent tax was slapped on this slab, the inflation rate was 7.35 percent. When the same was reduced to 25 percent in 2020, the inflation rate was 5.65 percent.

Back in 2020, Leave Fare Assistance (LFA) and income from Workers Profit Participation Fund (WPPF) were tax-free as long as they were within Tk 50,000. Both are now taxable, reducing further the disposal income of salaried individuals who fall in the 25 percent bracket. There are about 89,290 taxpayers who fall in this tax category, according to BBS. How is it just to tax someone earning Tk 16.5 lakh and someone earning, say, Tk 1 crore in the same slab?

If one assumes that the government is considering raising the tax slab back to 30 percent to ensure social equity and fair taxation, it should consider two points. First, it should expand the range for each slab and reduce the tax burden on each of these slabs, expanding the tax-free limit to up to Tk 5 lakh, so that the middle-class taxpayers can meet their basic necessities with dignity.

Secondly, the government should further break the current highest tax slab into several brackets and impose a super tax—a tax in addition to a normal tax, upon an annual income above a certain amount—on the rich and wealthy. The concept of super tax is gaining popularity globally as a tool to ensure social justice and could get the NBR the much-needed extra tax that it needs to extract from the right people.

Instead of taking the easy way out and burdening the already struggling segment of the taxpaying population, it is vital that the government look for a way to efficiently utilise the tax money it collects every year. A study by the Policy Research Institute (PRI) of Bangladesh reveals that a whopping 43 percent of taxpayers' money is spent on salaries, pensions and other benefits for government officials.

At the same time, the government must focus on containing the rampant corruption that enables the shameless plundering of taxpayers' money through various projects.

It is understandable that the government needs money to pay off its debts and meet its expenses, but allowing wholesale legalising of dirty money and taxing people further are not the solutions to this problem.

# For real growth, invest more into education and health



Abu Afsarul Haider  
is an entrepreneur. He can be reached at  
afsarulhaider@gmail.com.

ABU AFSARUL HAIDER

Over the past one and a half decades, the government has undertaken numerous infrastructural projects, developing and renovating roads, bridges, ports, airports, communication, energy and power, etc in the country. While infrastructure development provides the necessary physical foundation for economic growth and social progress, the most critical sectors requiring investment for a country's overall growth are education and health. Unfortunately, Bangladesh still struggles to adequately invest in these essential areas.

Recent revelations from the draft development budget for FY2024-25 paint a disheartening picture. Both the health and education sectors are set to receive allocations below the targets outlined in the eighth five-year plan. The health sector is allocated just 7.80 percent of the Annual Development Programme (ADP) budget, significantly less than the targeted 11.10 percent. Similarly, the education and technology sector is allocated only 13.70 percent, falling short of the proposed 16.50 percent.

Basic economic principles highlight that a well-educated and healthy population is crucial for long-term economic growth and sustainable development. If so, why are these two critical sectors often neglected in this country? Officials at the Planning

Commission say the education and health ministries get lower allocations because they struggle to spend the allocated funds effectively. Additionally, cost overruns and delays in implementing projects are also to blame. Data from the commission reveals that over the past five years, development projects in the health and education sectors experienced cost overruns of 13 percent and 27.5 percent, respectively. Meanwhile, 55 percent of health ministry projects and 34 percent of education ministry projects had to have their deadlines extended. So, why should the public suffer due to management weaknesses?

Bangladesh's current population is around 17 crore, with 7.37 crore people employed in various sectors and 2.74 crore aged between 15-29 years. However, we have not fully capitalised on the demographic dividend of this large number of young people because we lack a skilled and healthy workforce. Unfortunately, our approach to development has neglected education, research, and health, focusing instead on constructing large-scale infrastructure. Infrastructural development, while essential, is not sustainable without enhancing human capacity. Sustainable development requires a healthy, skilled, tech-savvy workforce, which necessitates proper investment in health, education, and research.

We are already struggling on that front, with research indicating that our garment, real estate, telecommunication, information and technology sectors are facing severe shortage of skilled manpower. Consequently, foreign workers are being hired, leading to huge amounts of dollars leaving the country. Additionally, the lack of investment means that people's out-of-pocket expenses for healthcare and education will continue to remain high.

Currently, individuals bear a significant portion of medical expenses, with households covering up to 72 percent of all healthcare costs through out-of-pocket payments. This system imposes a heavy financial burden on impoverished families, often forcing them to either forgo treatment or incur debt. Additionally, to manage healthcare costs, families often cut back on essential daily expenses. According to the World Food Programme's 2023 Food Security Monitoring, 36 percent of Bangladesh's population suffers from food insecurity, with poverty and malnutrition continuing to co-exist. Nutrition is closely linked to labour productivity. The Asian Productivity Organisation's Productivity Data Book 2020 reports that Bangladesh's labour productivity is 10.4 percent, compared to the average of 16.3 percent in South Asia and 27.8 percent in APO countries.

Bangladesh spends 2.3 percent of its GDP on the public health sector, compared to Nepal's 5.6 percent, Sri Lanka's 3.8 percent, and India's 3.8 percent. Developed nations like the UK spend around 10 percent of their GDP on healthcare. In Bangladesh, 65 percent of the health budget goes towards salaries and allowances, with the remainder allocated for

development. It is embarrassing that a country aspiring to become an upper-middle-income nation by 2031 and a developed country by 2041 still sees a significant number of its citizens, including politicians, businessmen, and ordinary people, seeking medical treatment abroad every year. This trend indicates a lack of confidence in our own healthcare system. While individuals may argue that seeking overseas medical care is a personal choice, it becomes more alarming when leaders and politicians do the same. Their decisions to seek treatment abroad highlight a serious issue, as they are the ones responsible for developing the healthcare system.

Education, often hailed as the great equaliser, also faces a similar fate. Government expenditure on education is a meagre 1.64 percent of the GDP. This is significantly lower than the averages for LDCs (above three percent), middle-income countries (above four percent), and high-income countries (above five percent). According to UNESCO's Global Education Monitoring Report 2022, Bangladeshi families cover 71 percent of the total education costs. For fixed-income and poor families, this creates a disproportionate burden.

Insufficient funding in health and education can result in substandard healthcare and human resource development, while also increasing people's out-of-pocket expenses. These rising costs perpetuate cycles of poverty and vulnerability. Addressing these inequalities requires proper government financing in education and healthcare. If financial constraints are an issue, the government must find innovative ways to fill the gap. Additionally, it should work on increasing the capacity of the relevant ministries to effectively use the allocated funds.