

BUDGET OUT OF TK 100

USE OF RESOURCES



Tax burden to get heavier, life even harder

SOHEL PARVEZ

The tax measures unveiled yesterday for 2024-25 are not going to provide any relief to taxpayers.

It became apparent after the finance minister placed his proposals in parliament on income tax, value-added tax (VAT), and customs tariffs for the fiscal year beginning on July 1.

Let's consider the example of a young couple who have just started their conjugal life with a monthly income of Tk 43,800.

As the tax-free income threshold remains unchanged for FY25, the breadwinner of the two-member family will need to pay personal income tax, which will reduce their disposable income.

Now if the couple want to buy a refrigerator, they are likely to count more to get the home appliance, a necessity nowadays.

The National Board of Revenue (NBR) will also collect higher taxes from each Tk 100 recharge on mobile phones, making phone calls and data usage costlier. The ultimate result will be reduced use of phones and internet, not only for the couple but also for all in Bangladesh, regardless of their incomes.

The higher tax burden comes at a time when people are desperately looking for a cushion from persistently higher consumer prices and preventing the erosion of living standards.

In May, inflation, a measure of the increase in the prices of a basket of commodities and services, edged up to 9.89 percent from 9.74 percent a month ago, according to the Bangladesh Bureau of Statistics.

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The wealthy will need to pay higher taxes on their incomes since the NBR seeks to reinstate a 30 percent tax rate on high-income earners after a gap of four years.

Budget unlikely to make dent in soaring inflation

AHSAN HABIB

The new budget for the upcoming fiscal year is unlikely to provide respite from one of the longest spells of sustained inflation in Bangladesh as the government's measures appear to be missing the impetus required to contain the price spiral.

Although the government acknowledged that people are facing real suffering due to high inflationary pressure, the steps it took to fight the rise in prices remain inadequate.

For example, the government has kept the tax-free income threshold unchanged for the next fiscal year, starting on July 1.

At the same time, it plans to raise value-added tax (VAT) by 12 percent over the current year's target.

This may mainly be achieved by increasing value-added tax, which will ultimately compound the burden on the masses, irrespective of their income levels.

The budget has also brought no major good news when it comes to allocations for social safety net programmes although the need for state-sponsored assistance for the poor and low-income groups has never been higher.

MA Razaque, research director of the Policy Research Institute, said the government reduced the growth of the budget size this year to squeeze deficit financing and

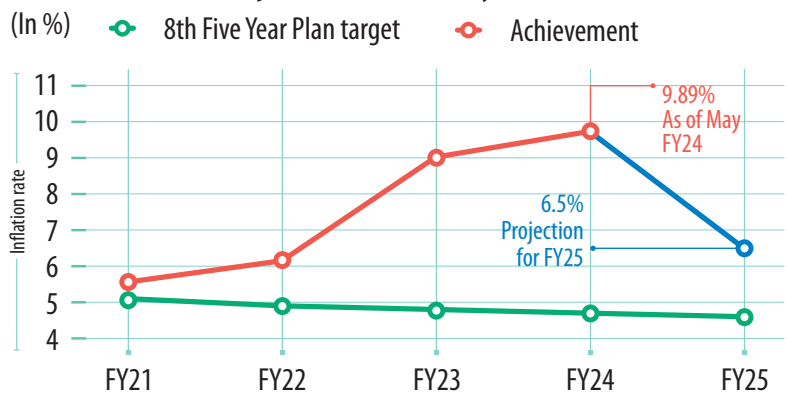
reduce inflation.

The targeted budget deficit is 4.6 percent in FY25, which is slightly lower than the revised budget deficit for the current year, which stands at 4.7 percent.

This indicates that the budget

deficit is not controlled much. As a result, the effectiveness of the budget deficit in lowering GDP growth will not translate to taming inflation, he said.

INFLATION: Projection vs reality



Although the government targeted to reduce the inflation rate to 6.5 percent, it maintained the higher GDP growth rate target of 7.5 percent. If the government targets higher GDP growth, it will stoke inflationary pressure.

"But this is normal," Razaque said. As inflation has remained at

elevated levels for nearly two years, the government should have increased the tax-free income level. Instead, the tax-free income level remained the same at Tk 3.5 lakh while some comfort was given to slightly upper income people. The

tax rate was 10 percent for people whose income was between Tk 4.5 lakh to Tk 7.5 lakh but that slab has been changed to Tk 4.5 lakh to Tk 8.5 lakh.

Another demand from economists was increasing the allocation for social safety net programmes as poor and low-income groups have seen the rapid erosion of their purchasing power while incomes have either stagnated or declined.

But that was hardly reflected in

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Mobile internet, talktime to be costlier

MAHMUDUL HASAN

The government has hiked the supplementary duty on mobile top-ups alongside VAT on SIM cards, pushing up costs that will be incurred by mobile and internet users, which will inevitably put a financial strain on access to essential services.

The supplementary duty has been raised from 15 percent to 20 percent in the proposed budget for fiscal year 2024-25.

This means that out of every Tk 100 top up of a user, the government will directly take Tk 28, which includes a 15 percent VAT and a 1 percent surcharge, whereas the government previously took Tk 25.

Meanwhile, the VAT was increased by Tk 100 to Tk 300 for every SIM.

The new duty rate on the telecommunication sector will exacerbate the woes of an already heavily taxed industry to unprecedented fiscal heights, potentially exerting adverse effects on digital services.

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BUDGET SNIPPETS

PER CAPITA INCOME TO TOP \$3K

Bangladesh's per capita income will be \$3,000 at the end of FY25 as the government expects economic growth to recover. Per capita GDP is projected at \$2,780 at the end of FY24. It has been growing steadily over the last two decades. It was \$700 in 2000 and about \$300 in 1990.

REVENUE-GDP RATIO TO RISE TO 9.7PC

The revenue-to-GDP ratio will accelerate to 9.7 percent in FY25 as the government looks to generate higher taxes by cutting exemptions, speeding up digitalisation, and implementing reforms. The ratio stands at about 8 percent in FY24, one of the lowest in the world. India's ratio is 16.98 percent, Indonesia's 11.59 percent, Vietnam's 14.03 percent, and Thailand's 15.57 percent.

MPS' DUTY-FREE CAR IMPORTS GO

The government has scrapped the duty-free privilege for lawmakers in importing cars. They have been enjoying the facility since 1988. Now, they will have to pay a 25 percent duty on car imports. People pay a 25 percent import duty, a 15 percent VAT, 5 percent advance tax, and 400 to 500 percent supplementary duty on imported cars.

BANGLADESH 33RD ECONOMY

Bangladesh has become the 33rd largest economy in the world, according to the size of the gross domestic product estimated in 2023, two notches higher than in FY24. The country aspires to achieve the upper-middle-income status in 2031 and become a developed nation by 2041.

OFFSHORE BANK DEPOSITS EXEMPTED FROM EXCISE DUTY

Depositors, who park funds in offshore banking units (OBUs), will enjoy exemption from the excise duty on their foreign currency deposits in FY25. The government has offered the benefit as banks in the country are working to attract foreign currency holders, particularly non-resident Bangladeshis, to make deposits in their OBUs.

