

SOCIAL SAFETY NET Share of the poor dwarfed by others

ZYMA ISLAM and NILIMA JAHAN

Under the FY24-25 social safety net programme of Bangladesh, the pension for retired government employees and savings scheme interest payments account for nearly the same allocation as social assistance for the poor, the old and the disaster-struck.

The social assistance programme, which covers myriad cash transfers for 54 types of vulnerable target populations, including senior citizens, was allocated Tk 49,871.65 crore.

Specifically, cash assistance in the form of old age allowance was allocated only Tk 4,350.97 crore, with widows getting a further Tk 1,844.32 crore.

The poor signed up with the National Pension Authority were allocated another Tk 150 crore.

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A rundown of money spent over 13 years

Fastest expenditure growth FY09-FY22

- Civil aviation and tourism ministry: **15,527%**
- Science and tech ministry: **4,975%**
- Liberation war affairs ministry: **4,712%**
- Financial institutions division: **3,027%**
- Shipping ministry: **2,431%**

Slowest expenditure growth FY09-FY22

- Statistics and informatics division: **4.40%**
- Planning division: **5.19%**
- Ministry of food: **9.25%**

ZYMA ISLAM and TAHIRA SHAMSI UTSA

The food ministry spent less in fiscal 2022-2023 compared to fiscal 2009-2010, according to data on expenditure over the last 13 years.

In FY23, as the general public battled rising food prices, the government's spending was Tk 5,014 crore, which is Tk 500 crore less than it spent in FY10.

The finance ministry saw the highest increase in terms of money spent - Tk 71,994 crore more in FY23 than in FY10, when it spent only Tk 4,034 crore.

The second highest rise was in the expenditure for interest paid domestically by the government. This includes interest paid on the government's loans from the commercial sectors, as well interest on its many savings instruments.

Interest payments by the government reigned supreme out of all sectors in FY23, in terms of expenditure as a portion of the Gross Domestic Product.

The GDP in FY22-23 was Tk 44,39,273 crore, and interest payments, crossing Tk 92,107 crore, made up 2.07 percent of the GDP.

In FY23, the Anti-Corruption Commission was in the bottom 10 when it came to increase in expenditure. However, in FY21, it saw the lowest increase in budgetary allocation, among all the sectors.

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Bad loans hit historic high

No reform initiative to fight the menace

MD MEHEDI HASAN

Default loans in the banking sector of Bangladesh hit an all-time high of Tk 182,295 crore, but no reform programme to reduce it has been announced in the budget for the upcoming fiscal year.

The default loans amounted to Tk 145,633 crore by the end of December. This means it surged by Tk 36,662 crore, or 25 percent, in January-March compared to the preceding quarter, according to the latest data of the Bangladesh Bank.

Besides, non-performing loans (NPLs), also known as toxic assets, climbed by Tk 50,675 crore in the quarter compared to same period of 2023.

The central bank released the figure on a day when Finance Minister Abul Hassan Mahmood Ali unveiled the new government's first budget.

Industry insiders said the rise in NPLs is a result of irregularities, scams, weak corporate governance and a lack of proper monitoring by the central bank.

They also said the actual volume of default loans is higher than the official figure.

At the end of March this year, the total disbursed loans stood at Tk 1,640,855 crore, of which Tk 182,295 crore was defaulted, the highest in the history of Bangladesh. This means 11.10 percent of the disbursed loans have turned sour.

Bad loans in the banking sector stood at only Tk 22,481 crore when the Awami League formed the government in 2009.

When asked for the reason for the spike in bad loans, Bangladesh Bank Executive Director and Spokesperson Md Mezbaul Haque could not give a suitable answer.

He told The Daily Star that bad loans at the state-run banks rose sharply, leading to higher NPLs overall.

Default loans at state-run

commercial banks stood at Tk 84,221 crore in March, accounting for 27 percent of their total Tk 312,266 crore disbursed loans, as per BB data.

Scam-hit Janata Bank registered the highest volume of bad loans, contributing Tk 30,495 crore. This represented 31 percent of the loans it had disbursed.

Agrani Bank's bad loans amounted to Tk 20,864 crore, or 28 percent of its disbursed loans.

Moinul Islam, a former professor of economics at Chittagong University, said the actual volume of bad loans is more than Tk 500,000 crore if written-off loans, rescheduled loans and loans with court injunctions are considered.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the default loan figure is not new and it has now been uncovered due to the condition of the International Monetary Fund.

He thinks around 25 percent loans turn defaulted. This will bring the bad loan volume to around Tk 4 lakh crore. "There are bad loans that are yet to be made official. They will be disclosed in the future."

He said the banking sector has weakened due to the higher level of bad loans and it has a negative impact on good borrowers.

Bankers say there is tendency among borrowers to refrain from repaying loans citing excuses of the present economic condition.

On the other hand, most of the loans of the state-run banks were availed through irregularities and scams, and that is why it is difficult to recover those loans.

Bad loans at private commercial banks stood at Tk 88,900 crore, or 7.28 percent

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A fresh blow to stock investors

They'll face 15pc tax if income crosses Tk 50 lakh

AHSAN HABIB

In yet another blow to stock market investors, the government plans to impose a capital gains tax on them from next fiscal year.

Although this has disheartened stock market analysts, they welcomed another move allowing black money into the stock market and increasing corporate tax for listed companies that have not offloaded at least 10 percent of their shares.

The government plans to impose at least 15 percent capital gains tax on general investors if their income from share trading crosses Tk 50 lakh.

Since 2015, individual investors had been exempted from paying tax on capital gains from stocks, mutual funds, bonds and debentures.

However, sponsors and directors of listed companies currently face a 5 percent tax deduction at source on capital gains from share transfers.

The government has increased this rate to 10 percent in the proposed budget.

However, the tax will not be applicable in case of shares transferred as a gift between parents and children and between spouses.

Market analysts fear that the market is losing

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BUDGET SNIPPETS

TAX ON PENSION FUNDS RISES TO 27.5PC

The NBR is going to bring back the 27.5 percent tax rate on the incomes generated by provident, gratuity, superannuation, and pension funds. In December, the rate was cut to 15 percent from 27.5 percent. The Income Tax Act 2023 lifted the tax exemption and amnesty on the compulsion to file returns for the funds maintained by the private sector.

SURCHARGE STRUCTURE UNCHANGED

The government has kept the existing structure of surcharge, which is imposed on the wealthy. Currently, the rate of surcharge payable up to the net asset value of Tk 4 crore is nil. If the net asset value exceeds Tk 4 crore, a 10 percent surcharge is slapped. When the value crosses the maximum limit of Tk 50 crore, the rate rises to 35 percent.

CIGARETTES TO BECOME PRICIER

The supplementary duty on cigarettes has gone up by 1 percentage point to 66 percent in the upcoming fiscal year of 2024-25 as the government plans to make them costlier and cut their consumption. The value-added tax on the local production of cigarettes and bidi paper has been raised to 15 percent from the existing 7.5 percent.

ACS, REFRIGERATORS TO BE DEARER

The finance minister has proposed imposing 7.5 percent VAT on air conditioners, refrigerators, and freezers. At present, there is no VAT on ACs while it is 5 percent for refrigerators and freezers. Manufacturers and retailers estimate that 5.3 lakh ACs were sold in 2023, up from 3.3 lakh in 2022, as the country is increasingly witnessing higher temperatures.

15PC VAT ON AMUSEMENT PARK VISITS

The government has imposed a 15 percent VAT on amusement parks and theme park services. At present, they pay 7.5 percent VAT. In addition, the existing VAT exemption for tour operator services has been withdrawn. Over the last two decades, about Tk 12,000 crore has been invested in amusement parks, where about 6 lakh people are directly employed.



TAX RATES FOR INDIVIDUALS

YOUR INCOME AND CORRESPONDING TAX RATE	FY25 TAX RATES (IN %)
Up to Tk 3.5 lakh	0
Tk 3.50 lakh plus to Tk 4.5 lakh	5
Tk 4.5 lakh plus to Tk 8.50 lakh	10
Tk 8.50 lakh plus to Tk 13.50 lakh	15
Tk 13.50 lakh plus to Tk 18.50 lakh	20
Tk 18.50 lakh plus to Tk 38.50 lakh	25
Tk 38.50 lakh plus	30

FY25 BUDGET TAX RATES FOR COMPANIES

TYPE	FY24 (%)	FY25 (%)
Listed companies that issue shares over 10% of paid-up capital	20	22.5*
Listed companies that issue shares below 10% of paid-up capital	22.5	25*
Non-listed companies	27.5	27.5*
One-person company	22.5	22.5*
Merchant banks	37.5	37.5
Listed mobile phone operators	40	40
Listed banks and financial institutions	37.5	37.5
Non-listed banks and financial institutions	40	40
Non-listed mobile phone operators	45	45
Cigarette and tobacco companies	45**	45**
Cooperatives	15	20

* Rates will be 2.5 percentage points lower if expenses and investments above Tk 5 lakh in each single transaction and above Tk 36 lakh in total annually are done through bank transfers

** 2.5% surcharge

FOR WEALTH, YOU HAVE TO PAY A SURCHARGE TAX

FY25 NET WEALTH	Up to Tk 4 crore	Tk 4 crore plus to Tk 10 crore, or ownership of more than one car, or ownership of 8,000 square feet house	Tk 10 crore plus to Tk 20 crore	Tk 20 crore plus to Tk 50 crore	Above Tk 50 crore
SURCHARGE RATES (IN %)	0	10	20	30	35