

## Overhaul our tax system

### It has become a major hurdle to Bangladesh's fiscal progress

According to a recent report by the Centre for Policy Dialogue (CPD), Bangladesh lost an estimated Tk 226,236 crore in potential revenue due to tax evasion and avoidance in FY 2022-23. This is an extremely troubling finding. While it is generally known that tax irregularities are widespread in Bangladesh, the extent of the resultant loss, as estimated by the CPD, is staggering. To put it into perspective, the lost amount from FY23 could have funded the construction of approximately seven metro rail lines, provided each cost as much as the revised budget of Tk 33,472 crore for Metro Rail Line 6 connecting Uttara to Kamalapur.

In other words, had the National Board of Revenue (NBR) managed to collect some portion of the Tk 2.26 lakh crore lost to tax evasion, it could have easily met its revenue target for that year—which it fell short of by Tk 44,728 crore, according to provisional data. Therefore, the fact that the NBR has a history of missing its revenue targets is clearly not a fait accompli, but rather something that can be rectified.

According to the CPD report, corporate tax evasion alone accounted for roughly half of the total loss in FY23—about Tk 113,118 crore—highlighting a concerning trend of rising evasion since 2011. The estimated loss in 2012 was Tk 96,503 crore, which surged to Tk 133,673 crore by 2015. According to CPD, corruption and a range of structural issues, including high tax rates, weak enforcement, and a labyrinthine legal framework, have been fuelling this rampant tax evasion.

For instance, nearly half of the firms surveyed in the study alleged that they were asked for bribes by officials while seeking tax-related services in FY23. Additionally, 40 percent of surveyed companies reported problems when adjusting their tax refunds. Moreover, 79 percent of firms pointed to a lack of accountability among tax officials, while 72 percent cited widespread corruption in the tax administration. Furthermore, 65 percent of businesses reported persistent disputes with tax officials over the calculation of their payable tax amounts. Another controversial factor that deserves scrutiny is the policy on tax expenditure and incentives. According to CPD, Bangladesh's current tax incentive structure is deeply entangled with political interests, rather than being merit-based and time-bound.

Clearly, much work is needed to improve our overall tax system. In fact, the entire structure appears to require a significant overhaul. Firstly, the tax submission process must be fully digitalised, with a unified system of financial transactions to ensure that every transaction is traceable and verifiable, thereby creating a barrier against corruption and fraud. Secondly, the NBR must significantly expand its corporate tax net, raising the proportion of tax-paying firms to at least 59 percent of registered companies—up from the current estimate of just 9 percent. Without such transformative reforms, Bangladesh's fiscal progress will remain severely hampered.

## Let's prioritise workers for a change

### Political will key to success of labour reforms

The recommendations outlined in the Labour Reform Commission's report, submitted to the chief adviser on Monday, could bring about a welcome change for Bangladesh's eight crore working people—provided the proposals are accepted by all, implemented effectively, and enforced regularly.

One of the most notable recommendations is having a national minimum wage that ensures a dignified living standard for all workers and self-employed individuals regardless of industry, sector, specialised labour region, type of work, or nature of business. However, enforcing such a proposal in a country where 87.2 percent of the working population is engaged in the informal sector poses an enormous challenge. On the positive side, thanks to information technology, workers can at least become aware of their rights and use this knowledge to demand fair remuneration. Meanwhile, sector-specific minimum wages will continue to exist, as per the recommendation, but they cannot be lower than the national minimum.

The commission also recommended significantly reforming existing labour laws—or enacting one or more new, integrated labour laws—to bring workers of all sectors, industries, and profit/non-profit organisations under legal protection. To support this, they proposed the creation of a National Labour Force Registration System and Information Repository, as well as increasing the number of labour courts.

Other recommendations include simplifying the process of trade union registration and creating a government emergency and contingency fund to help businesses sustain operations and pay workers even during international or domestic crises. The commission also proposed that two white papers be published—one on the former government's actions, investigations, trials, compensations, etc., in relation to notable workplace accidents such as Rana Plaza and Tazreen Fashions; and the other on the utilisation of the Sramik Kalyan Foundation Fund. While the commission did not specify which recommendations can be executed immediately, the chief adviser has asked for a list of those that can be implemented in the short term. We believe that work on the two white papers can and should start without delay.

Reportedly, the commission's recommendations will soon be presented to political parties for their feedback. While there appears to be no reason for any party to oppose these proposals, which aim to ensure workers' rights and protection, trusting political parties to properly implement them is difficult given their past records, especially while in power. Historically, most political parties have prioritised the interests of businesses and employers at the cost of labour rights. We can only hope that they along with businesses and employers, in line with the aspirations of the July uprising for real change, will support the delivery of pro-worker reforms this time.

## THIS DAY IN HISTORY

### New Coke replaces Coca-Cola

On this day in 1985, the Coca-Cola Company introduced New Coke, a reformulated soft drink meant to replace its flagship beverage. Due to public outrage, however, the previous version of Coke was brought back as Coca-Cola Classic less than three months later.

# EDITORIAL

## What would make a good leader in new Bangladesh?



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I was quite enchanted by a recent op-ed piece titled "Bangladesh deserves better leaders. How do we find them?" by Kollo Kibria, recently published in *The Daily Star*. It is a timely concern raised by the author and a critical issue that deserves due attention since Bangladesh hopes to transition to a new era, both from political and development perspectives. Taking cue from the recently held Bangladesh Investment Summit as a model, the article sets out with clarity and powerful arguments the kind of leadership Bangladesh needs moving forward. However, the question remains: how do we find or identify a leader?

We are talking about all kinds of leaders, with a particular focus on political leadership, given the current complex and dynamic political environment in Bangladesh. It stands at the precipice of transformation. The time is not for politics as usual. As the country seeks transition into a more prosperous and modern country, the role of effective leadership has become paramount. To successfully navigate this transition, it requires leaders who possess a unique blend of qualities that will foster growth, unity, and progress at all levels of government, administration, and businesses. Are we ready for it? Who are our leaders? What does a leader do? What are the traits of a leader?

Leaders are not born; they are made. In our history, we have had many impactful and iconic leaders: Sher-e-Bangla AK Fazlul Haque, Maulana Abdul Hamid Khan Bhashani, Sheikh Mujibur Rahman, and others. Leadership qualities are a mix of many traits. But defining what truly marks these historic icons as good leaders proves a bit challenging. Was it simply the political environment of their times that made them good leaders, or something more? What sets these successful leaders apart?

I think the qualities of leadership can be quite elusive. Nevertheless, there are some essential traits that leaders should demonstrate in these difficult times to lead the country and to effectively manage the affairs, both nationally and internationally.



FILE ILLUSTRATION: REHNUMA PROSHOON

First, a leader must have a visionary outlook and be able to see beyond the obvious. A leader should be able to envision the future and articulate a clear and inspiring vision to the people. This quality involves not only the ability to foresee potential challenges, but also the capacity to identify opportunities that can propel the nation forward—for instance, as projected at the investment summit. Visionary leaders can motivate and inspire followers by painting a picture of a brighter tomorrow, encouraging collective effort towards shared goals.

Second, integrity is the cornerstone of effective leadership. Leaders must demonstrate a commitment to ethical principles and transparency in their actions. This has been missing among Bangladeshi politicians for a very long time. Corruption, nepotism, and lies ruled over other considerations. The country needs leaders who are truthful, honest, educated, and transparent. The new leadership must be achieved with trust and honesty, and not ascribed or inherited on any

were rewarded because of their loyalty and blind obedience to the party leadership. The political and party systems were designed not to empower and motivate new leadership. We must change this trend.

Fourth, empathy and inclusivity can connect leaders with the masses on a personal level, understanding their needs, aspirations, and concerns. Many of our iconic leaders had these traits, which helped unite diverse groups and create a sense of belonging and purpose during critical times in our history. The new leaders for tomorrow's Bangladesh must be empathetic to ensure that no one is left behind in the march ahead for upliftment and societal progress.

Fifth, the path to transforming Bangladesh will undoubtedly be fraught with challenges. Leaders must demonstrate resilience—an unwavering determination to persevere in the face of adversity. There is no room for flip-flopping. Equally important is adaptability, the ability to pivot and adjust strategies as

convey their vision, policies, and decisions in a manner that is easily understood by the masses. Effective communication fosters transparency and accountability, and encourages participation.

Seventh, leaders must be innovative and are able to think outside the box and develop creative solutions to complex problems. They embrace technology and new methodologies to drive progress. Forward-thinking leaders prioritise sustainable development, ensuring that their actions today build a better future for generations to come.

Finally, one must look for individuals who embody these qualities. Leaders can be identified through their track record of accomplishments, their ability to inspire and mobilise others, and their commitment to people's welfare. The aspiring leaders should demonstrate a deep understanding of Bangladesh's unique socio-economic and cultural landscape and possess the skills necessary to address its challenges.

## Let's invest to compete globally



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The Bangladesh Investment Summit 2025, held recently by the Bangladesh Investment Development Authority (BIDA) to attract foreign investment, was a laudable move. The summit has hopefully branded our country as a friendly nation, demonstrated our spirit and culture, facilitated our integration with the world, and countered the negative narratives. We welcome foreign investments that contribute to our economic growth.

Foreign and domestic investments have been contributing to our economic development since Bangladesh was a part of Pakistan. It has also created an entrepreneurial class that has amassed huge wealth through corruption and political power. The rise of the so-called 22 families in Pakistan was possible because of state-sponsored economic development projects. Today, that number is 10 times greater, and they have grown during various regimes under Sheikh Mujibur Rahman, Ziaur Rahman, HM Ershad, Khaleda Zia, and Sheikh Hasina. How will it be different this time?

Foreign investment must be compatible with our national, political, economic, social, and foreign policy goals. It must also be conducive to our culture. No country or investment should get priority because of vested interests. The forthcoming investments should not be a source of renewed corruption or money laundering. We don't want to see the rise of another group of entrepreneurs exploiting national resources for political gains. We hope reform, transparency, and patriotic leadership will ensure that.

Unfortunately, in Bangladesh, economic growth has triggered rapid and chaotic urbanisation, developed high-rise buildings, favoured a middle class, and imported lots of cars, contributing to pollution and traffic jams—all corollary effects of unplanned growth. Despite various governmental and non-governmental programmes, the rural poor did not seriously benefit from the development dividends. This situation can be improved by investments targeting economic deceleration projects, e.g. microcredit.

The time has come to think about investments a little differently. Investments, foreign or domestic, must aim at enhancing the competitiveness of the country globally. They should improve people's well-being through both wealth creation and wealth distribution. A good number of investments have utilised our inexpensive labour force. However, they did not significantly target value-added industries. Our skill set has not changed. We still rely on the low-wage workers to improve our balance of payments (BOP) account. This must change.

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To enhance our competitiveness, we need to create domestic demand. The expenditure and investment, be it from local government or foreign sources, should also aim at increasing income generating spillovers contributing to domestic demand. The export-led low-wage investment policy has its limitations. Relying heavily on them is risky. Global economic downturns can create havoc in such industries. Domestic demand is a sound backup and a multiplier; it will augment growth in the long run.

People are one of our greatest assets. We have a rich, trainable, youthful workforce. To compete in a globalised world, uplifting their skills is necessary. We should prepare them for value-added industries. Japan, Korea, Singapore, and lately India and China are good examples in this regard. We can learn from their strategies and invest in our manpower. This may require substantial investment in our universities, trade schools, and training sectors. Why not take proactive measures to attract investment in these sectors? It will enhance our long-run competitiveness.

We are a small country. We cannot give away our agricultural land for disproportionate industrial or service sector growth. For example, do we need a 100-acre hospital to serve a few urban elites? Investments must not be shadowy land-grabbing projects. We should aim for a decentralised investment/growth strategy. Decentralised investments should help district centred development, prioritising modern schools, colleges, health facilities, and complementary services. This would augment both labour quality and domestic demand. Not too long ago, the zilla schools were the cornerstone of our education

system and a major component of the workforce.

Enhancing national competitiveness requires supporting infrastructure conducive to investment and economic development. It is an ongoing process. So far, our investment in infrastructure has been on various roads, highways, bridges, railways, and communication. Let us add our rivers and waterways to that list. Again, our immediate concern should be people and their connectivity with the world. Digital sectors should lead our future. Investments in new projects and upgrading existing networks should continue.

For defence purposes, Bangladesh will also have to invest in modern defence systems. Recent wars in various parts of the world have revealed the weakness of conventional weapons. Drones, laser guns, and missiles are relatively straightforward to develop these days. The technology is available, and we have the manpower to produce them. Investment in a strong military industry will give us a strategic advantage in defence.

Industrial growth has a negative correlation with the environment. We must pay attention to the environment as we seek economic growth. We can invite foreign investment to counter environmental degradation. This would include establishing recycling facilities, modernising ports, dredging rivers, digging canals, etc. Keeping our land, air, and water clean must be the target for this purpose.

Bangladesh is a peace-loving, friendly nation. We have the potential to be a globally competitive country politically, economically, and militarily. Let us encourage investments, both domestic and foreign, that complement our global competitiveness.