

CHAPTER FOUR

FISCAL POLICY AND FISCAL MANAGEMENT

The government is working relentlessly with a view to reviving and accelerating the growth of the economy, which has been hampered by the long-term effects of the pandemic. Taking into account the covid-19 pandemic, slowdown in the world trade, the issues of public health protection, employment creation and economic growth have been given importance in the fiscal management of this year. The revised revenue mobilisation target was set at Tk. 4,33,000 crore in FY 2022-23, which is 9.68 percent of the GDP. Of them, revenue receipt from NBR sources was marked at Tk. 3,70,000 crore (8.27% of GDP), tax revenue from non-NBR sources at Tk 18,000 crore (0.40% of GDP) and non-tax revenue at Tk.45,000 crore (1.00)% of GDP). As per provisional data from iBAS, total revenue mobilisation up to February 2023 stood at Tk. 2,36,035 crore, up by 0.92 percent of the same period of previous fiscal year, achieving 54.51 percent of the target. The revised revenue mobilisation target for NBR in FY 2022-23 was set at Tk. 3,70,000 crore. As per provisional data from NBR, total revenue mobilisation from NBR up to February 2023 stood at Tk. 1,96,039.95 crore, up by 8.92 percent of the same period of previous fiscal year, achieving 52.98 percent of the target. According to the revised budget, the total expenditure target for FY 2022-23 has been set at Tk. 6,60,507 crore (14.76% of GDP), which is 11.29 percent higher compared to FY 2021-22. The revised Annual Development programme (ADP) size for FY 2022-23 stood at Tk. 2,27,566 crore (excluding autonomous agencies/corporations' own funded projects), which is 8.38 percent higher than the previous fiscal year. The government is highly concerned of maintaining the budget deficit within 5 percent of GDP by increasing efficiency in revenue management. However, due to the increase in government expenditure for COVID-19 pandemic, the budget deficit target set at 5.1 percent of current fiscal year. The actual budget deficit for FY 2020-21 and FY 2021-22 stood at 4.3 percent and 4.6 percent of GDP respectively. The inflow of foreign grants and loans in the first eight months of FY 2022-23 (up to February 2023) amounted to US\$ 4,876.52 million, less by 17.33 percent from the same period of the previous fiscal year. The country's external debt outstanding at the end of February 2023 was US\$ 59,213.81 million or 13.4 percent of GDP.

In order to mobilize sufficient revenues to meet the required investment and expenditure plan of the government, numerous reforms have been planned to strengthen revenue management system. However, as Bangladesh is scheduled to graduate from the list of LDC in 2026, both the national tariff policies and the revenue administration are in the process of transformation to make them in line with the post-graduation phase. In addition, various measures are also being taken for non-NBR tax and non-tax revenue generation.

Revenue Mobilisation Target

The revised revenue mobilisation target was set at Tk. 4,33,000 crore in FY 2022-23, which is 9.68 percent of the GDP. Of them, revenue receipt from NBR sources was marked at Tk. 3,70,000 crore (8.27% of GDP), tax revenue from non-NBR sources at Tk. 18,000 crore (0.40% of GDP) and non-tax revenue at Tk. 45,000 crore (1.00% of GDP). The revised target for revenue mobilisation from FY 2015-16 to FY 2022-23 are shown in Table 4.1.

Table 4.1 Revenue Mobilisation Target

Particular	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
In Crore Tk.								
Total Revenue	177400	201210	259454	316599	348069	351532	389000	433000
Tax Revenue	155400	178075	232202	289599	313068	316000	346000	388000
Non-tax Revenue	22000	23135	27252	27000	35002	35532	43000	45000
As percent of GDP								
Total Revenue	8.55	8.66	9.83	10.73	10.98	9.96	9.78	9.68
Tax Revenue	7.49	7.66	8.80	9.81	9.87	8.95	8.70	8.67
Non-tax Revenue	1.06	1.00	1.03	0.91	1.10	1.01	1.08	1.00

Source: Finance Division

Note: 1) Data are based on revised budget; 2) GDP base year: 2015-16

Revenue Mobilisation from NBR Sources

The tax revenue mobilisation target from NBR sources was set at Tk. 3,30,000 crore in FY 2021-22. However, the revised target is also kept the same. According to NBR estimation, the revenue collection in FY 2021-22 stands at Tk. 3,00,179.08 crore which is about 90.96 percent of the revised target. During this period, the growth of NBR tax revenue collection increased to 15.50 percent compared to the previous fiscal year. The import duty/custom duty (CD), Value Added Tax (VAT), supplementary duties (SD) and income

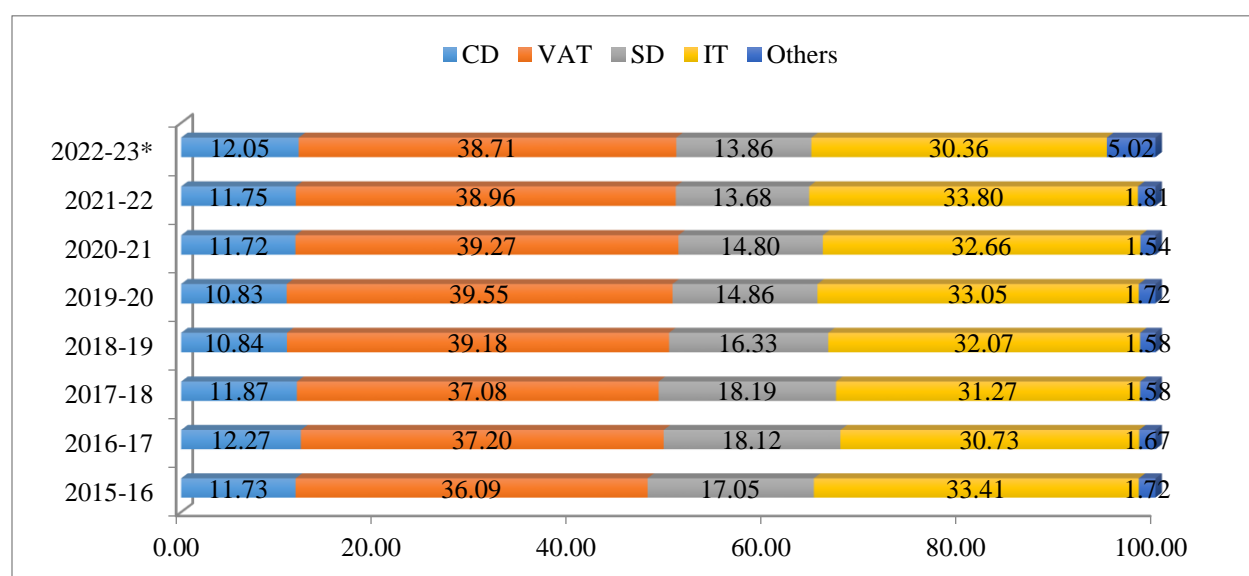
tax are increased to 15.83 percent, 14.58 percent, 6.71 percent and 19.53 percent respectively compared to the previous fiscal year. Revenue received during July-February of FY 2022-23 was provisionally estimated to Tk. 1,96,039.95 crore or 8.92 percent higher than previous fiscal year achieving 52.98 percent of revised target (Tk. 3,70,000 crore). Of this, import duty increased by 6.11 percent, VAT by 5.83 percent, supplementary duty by 4.62 percent and income tax 5.50 percent. Table 4.2 and Figure 4.1 show the sector-wise revenue mobilisation from FY 2015-16 to FY 2022-23 (up to February, 2023).

Table 4.2: Item-wise Revenue Mobilisation by NBR

(In Crore Tk.)

Items of Revenue Mobilisation	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23*
Import Duty	18011.80	21069.19	24319.78	24269.52	23559.50	30455.91	35276.58	23629.22
VAT (at import level)	20587.14	25561.09	29049.78	31400.83	30016.64	38271.78	44328.74	28946.88
Supplementary Duty (import level)	6560.33	7628.89	7873.11	7665.01	6975.15	8422.12	9817.81	6619.17
Export Duty	39.74	22.70	35.88	55.24	1.03	0.60	0.67	2.80
Sub Total:	45199.01	54281.87	61278.55	63390.60	60552.32	77150.41	89423.80	59198.07
Excise Duty	1582.03	1790.51	2072.59	2373.38	2279.40	2418.18	3102.86	8082.00
VAT (Local)	34862.82	38287.76	46716.45	55971.19	56080.69	63786.77	72606.45	46942.10
Supplementary Duty (Local)	19630.96	23481.70	29902.74	28814.53	25471.12	30047.73	31234.45	20546.25
Turn Over Tax	4.85	2.45	2.19	2.53	1.10	1.45	0.63	13.14
Others (Local)	-	-	-	18.20	634.69	1253.09	1473.84	820.41
Sub Total:	56080.66	63562.42	78693.97	87179.80	84467.00	97507.22	108418.23	76403.90
(A) Total of Indirect Tax	101279.67	117844.29	139972.52	150570.00	145019.32	174657.63	197842.03	135601.97
Income Tax	51328.92	52754.93	61144.50	69074.51	70501.49	84888.24	101465.79	59509.50
Travel taxes and duties	1018.37	1057.22	1195.92	1126.68	930.96	335.93	871.26	928.48
(B) Total of Direct Tax	52347.29	53812.15	62340.42	70201.19	71432.45	85224.17	102337.05	60437.98
Grand Total (A+B)	153626.96	171656.44	202312.94	220771.62	216451.77	259881.80	300179.08	196039.95
Share of Direct Tax (%)	34.07	31.35	30.81	32.56	33.00	32.79	34.09	30.83
Share of Indirect Tax (%)	65.93	68.65	69.19	67.44	67.00	67.21	65.91	69.17

Source: National Board of Revenue (NBR), (* Up to February, 2023)

Figure 4.1: Comparative Statement of Item wise Revenue Mobilisation (%)

(* July- February, 2023)

The major steps taken by the government during FY 2022-23 for enhancing collection of taxes are shown in Annex 4.1.

Revenue Mobilisation from Non-NBR Sources

The tax revenue receipt from Non-NBR sources include narcotics and liquor duty, taxes on vehicles, land revenue, stamp duty (non-Judicial) and surcharge. Tax revenue receipt from non-NBR sources in FY 2021-22 was Tk. 6,704 crore, which is 13.32 percent higher than the revenue earning of previous fiscal year. During FY 2022-23, the target set for revenue earnings from Non-NBR sources is Tk. 18,000 crore. Up to February, 2023 of FY 2022-23, revenue collected from this source stood at Tk. 5,329 crore achieving 29.61 percent of the target.

Revenue Mobilisation from Non-Tax Sources

The major items of non-tax revenue include dividend and profit, interest, administrative fees and charges, receipts for services rendered, non-commercial sales and other non-tax revenue and receipts. In FY 2021-22, the revised target for non-tax revenue receipt was set at Tk. 43,000 crore. Against this target, revenue mobilisation from non-tax sources stood at Tk. 35,056 crore,

which is lower than the previous fiscal year achieving 81.52 percent of the revised budget target. Non-tax revenue earnings during the first 8 months of FY 2022-23 (July-February, 2023) stood at Tk. 24,449 crore, which is 6.90 percent higher than the same period of previous fiscal year achieving 54.33 percent of the target (Tk. 45,000 crore).

Public Expenditure Management

The government's main objective was in the last two budgets, FY 2020-21 and FY 2021-22, to reduce the impact of the COVID-19 pandemic through an economic recovery programme consisting of financial and stimulus packages. That is why large additional allocations had to be made in sectors like health, agriculture, social welfare, food, disaster management, and employment protection. In the current FY 2022-23 budget, in determining the priority area of government expenditure, focus has been made on allocations aimed at fully overcoming the impact of the pandemic as well as effectively addressing the impact of the ongoing volatility in the global economy and continuing the developmental progress. Table 4.3 shows public expenditure target from FY 2015-16 to FY 2022-23.

Table 4.3 Public Expenditure

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
In Crore Tk.								
(a) Operating expenditure	156592	175849	210578	266926	295280	323725	366627	414504
(b) Development expenditure	81407	88090	153688	173449	202349	207988	221948	241407
(c) Other expenditure	217	5560	7229	2166	3948	7270	4925	4596
Total Public Expenditure	264564	269499	371495	442541	501577	538983	593500	660507
As percent of GDP								
(a) Operating expenditure	7.54	7.57	7.98	9.04	9.31	9.17	9.23	9.26
(b) Development expenditure	4.7	3.79	5.82	5.88	6.38	5.89	5.59	5.40
(c) Other expenditure	0.01	0.24	0.27	0.07	0.12	0.21	0.12	0.10
Total Public Expenditure	15.3	11.59	14.08	14.99	15.82	15.27	14.93	14.76

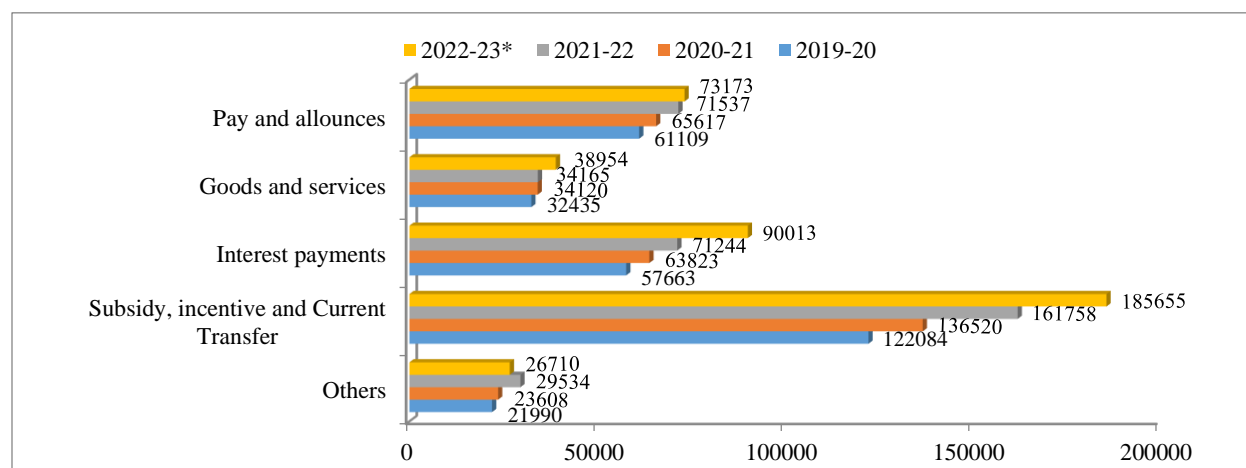
Source: Finance Division

Note: 1) Data are based on revised budget. GDP base year: 2015-16
 2) Development Expenditure includes ADP, Non-ADP, FFW and Projects and Development Programme under Revenue Budget, Other Expenditure includes net outlay for food account operation, loans and advances.

Operating Expenditure

In FY 2021-22, an amount of Tk. 3,66,627 crore was allocated for operating expenditure. Of this, recurrent expenditure was Tk. 3,40,572 crore (92.89%) and capital expenditure was Tk. 26,056 crore (7.11%). Allocations in a few notable sectors included in the operating expenditure were: pay and allowances 19.51 percent, goods and services 9.54 percent, interest payments 19.43 percent (including interest on foreign loans 1.70 percent) and subsidies and incentives and current transfers 43.64 percent.

The total operating expenditure in the revised budget for FY 2022-23 is Tk. 4,14,504 crore, which is 13.05 percent higher than the revised allocation of the previous fiscal year. Allocations of some important sectors of operating expenditure were: pay and allowances 17.65 percent, goods and services 9.40 percent, interest payments 21.72 percent, of which foreign interest payments 2.25 percent and subsidies and incentives and current transfers 44.79 percent. Figure 4.2 shows a comparative allocation of operating expenditure for the last 4 fiscal years.

Figure 4.2: Comparative Statement of Operating Expenditure (In crore Tk)

Note: Others expenditures include block allocations, acquisition of assets and works, investment in shares and equity and foreign financial assets.

Stimulus Package for COVID-19 Pandemic

To address the crisis resulting from the outbreak of COVID-19 and overcome its potential adverse effects on the economy, Hon'ble Prime Minister Sheikh Hasina has guided the formulation of an overall programme with short, medium, and long-term targets. As per the directives of government, activities are carried out under 21 stimulus packages of Tk. 1,20,153 crore in FY 2019-20 for additional expenditure in healthcare sector, emergency humanitarian assistance and economic recovery to address the COVID-19 pandemic. The number of the stimulus packages has further been increased to 28 in FY 2021-22 and the amount of fiscal and stimulus packages of Tk. 2,37,679 crore (5.98% of GDP) to facilitate additional expenditure in the healthcare sector, emergency humanitarian assistance, and the overall economic recovery programme. List of stimulus packages are given in Annex 4.2.

Annual Development Programme (ADP)

In FY 2022-23, the volume of ADP was Tk. 2,46,066 crore, of which Tk. 1,53,066 crore (62.20%) was from GOB, Tk. 93,000 crore (37.79%) from project aid. Including money from the own resources of autonomous body/corporation, the volume of ADP stood at Tk. 2,56,003 crore. A total of 1,441 projects were included (investment project-1,250, technical assistance-106, own resources-85) in the ADP of FY 2022-23. In FY 2022-23, the volume of RADP stood at Tk. 2,27,566 crore. Of them, allocation from GOB is Tk. 1,53,066 crore (67.26%) and Tk.74,500 crore (32.74%) as project aid. Including Tk. 8,995 crore of own resource, the volume of RADP stood at Tk. 2,36,561 crore. Due to COVID-19, the ADP implementation rate was below 90 percent in FY 2019-20 and FY 2020-21, however, the implementation rate had been reached to above 90 percent in FY 2021-22. The implementation status of ADP/RADP (excluding self-financed projects of autonomous bodies) during FY 2015-16 to FY 2022-23 has been shown in Table 4.4.

Table 4.4: ADP Allocation, RADP Allocation and Expenditure

(In Crore Tk)

Fiscal Year	ADP Allocation				RADP Allocation				Expenditure (as % of RADP)		
	No. of Project	Total	Taka	PA	No. of Project	Total	Taka	PA	Total	Taka	PA
2015-16	1124	97000	62500	34500	1315	91000	61840	29160	83581 (91.8%)	58357 (94.4%)	25224 (86.5%)
2016-17	1123	110700	70700	40000	1415	110700	77700	33000	100840 (91.1%)	72410 (93.2%)	28430 (86.2%)
2017-18	1192	153331	96331	57000	1551	148381	96331	52050	141492 (95.4%)	89155 (92.6%)	52337 (100.6%)
2018-19	1451	173000	113000	60000	1785	167000	116000	51000	158269 (94.8%)	111165 (95.8%)	47104 (92.4%)
2019-20	1564	202721	130921	71800	1748	192921	130921	62000	155698 (80.7%)	108172 (82.6%)	47526 (76.7%)
2020-21	1625	205145	134643	70502	1809	197643	134643	63000	164482 (83.2%)	111966 (83.2%)	52516 (83.4%)
2021-22	1444	225324	137300	88024	1836	209977	137300	72677	193807 (92%)	126468 (92%)	67339 (93%)
2022-23*	1441	246066	153066	93000	1572	227566	153066	74500	94875 (42%)	56151 (37%)	38724 (52%)

Source: Programming Division, Planning Commission; IMED, Ministry of Planning.

Note: Excluding own funded projects. (*Up to March 2023)

Sector-wise Allocation of ADP

The sectoral allocations of the RADP from FY 2016-17 to FY 2020-21 are shown in Table 4.5

reveal that among the 17 sectors such as transport, electricity, physical planning, water supply and housing, education and religious

affairs, rural development and institution, science and technology, health, population and family welfare, agriculture and water resources have been given priority. In FY 2020-21, the highest allocation was given to transport sector, which is 24.90 percent of the revised ADP, followed by physical planning, water supply and housing

sector (13.4%), education and religious affairs (12.43%), power (11.10%) and rural development and institution sector (9.25%). The allocation of health, population and family welfare reached 7.55 percent, up from 6.47 percent in FY 2019-20.

**Table 4.5: Sector-wise Allocation of RADP
(FY 2016-17 to FY 2020-21)**

(In Crore Tk.)

FY	2016-17		2017-18		2018-19		2019-20		2020-21	
Sector	Allocation	%	Allocation	%	Allocation	%	Allocation	%	Allocation	%
1. Agriculture	5741.6	5.19	5283.52	3.56	6918.24	3.92	6623.53	3.43	7734.29	3.91
2. Rural Development and Institution	10761.43	9.72	16722	11.27	15154.25	8.58	15777.91	8.18	18289.7	9.25
3. Water Resources	3342.11	3.02	4147.31	2.8	5000.87	2.83	6552.79	3.40	6708.93	3.39
4. Industry	974.12	0.88	1563.55	1.05	2176.01	1.23	3238.10	1.68	3500.09	1.77
5. Power	13447.57	12.15	22340.32	15.06	25819.17	14.62	23631.78	12.25	21945.17	11.1
6. Gas, Oil and Natural Resource.	1067.87	0.96	1346.48	0.91	5737.06	3.25	2417.07	1.25	1748.79	0.88
7. Transport	27360.23	24.72	37513.22	25.28	39531.17	22.38	47431.92	24.59	49212.86	24.9
8. Communication	1915.79	1.73	937.44	0.63	2221.01	1.26	1739.64	0.90	1537.33	0.78
9. Physical Planning, Water Supply and Housing	14391.17	13	15146.83	10.21	21956.51	12.43	26839.25	13.91	26491.96	13.4
10. Education and Religion	12845.97	11.6	14186.56	9.56	15510.84	8.78	20429.10	10.59	24571.96	12.43
11. Sports and Culture	214.19	0.28	318.61	0.21	653.66	0.37	587.93	0.30	484.5	0.25
12. Health, Population and Family Welfare	5655.33	5.11	9607.51	6.47	10902.07	6.17	10108.49	5.24	14921.9	7.55
13. Mass Communication	176	0.16	219.65	0.15	250.39	0.14	171.25	0.09	248.25	0.13
14. Social Welfare, and Youth Development	347.19	0.31	431.86	0.29	649.71	0.37	798.06	0.41	875.29	0.44
15. Public Administration	2361.15	2.12	2118.91	1.43	4974.07	2.82	5137.49	2.66	3377.52	1.71
16. Information and Communication Technology (ICT)	5472.04	4.94	12593.18	8.49	13453.63	7.62	16790.43	8.70	11575.66	5.86
17. Labour and Employment	450.77	0.41	356.25	0.24	464.30	0.26	544.27	0.28	537.72	0.27
Block/Others	4092.07	3.7	3547.8	2.39	5246.75	3.14	4101.56	2.13	3881.24	1.96
Grand Total	110700	100	148381	100	167000	100	192921.00	100.00	197643	100

Source: Programming Division, Planning Commission. Note: Data according to RADP.

In order to automate the process of formulation of Annual Development Programme, webpage system titled ADP/RADP Management System (AMS) has been introduced from FY 2020-21. With a view to implement the strategic objectives of the Five Year Plan, restructuring the sectors of ADP/RADP in line with Five Year Plan have been done. As part of this initiative the Planning Commission for the first time formulated the

ADP for FY 2021-22 by reorganising existing 17 sectors into 15 sectors. ADP for FY 2022-23 also has been formulated according to these 15 sectors. In FY 2022-23, the highest allocation was given in transport sector, which is 28.23 percent of the revised ADP, followed by power and energy (17.34%) and education (11.36%). Table 4.6 shows the sectoral breakdown of ADP for FY 2021-22 and FY 2022-23.

**Table 4.6: A comparative picture of sectoral breakdown of ADP
(FY 2021-22 to 2022-23)**

(In Crore Tk.)

SL	Sector	FY2021-22		FY 2022-23	
1	General Government Services	3036.46	1.28	2921.26	1.14
2	Defence	988.11	0.42	1270.05	0.50
3	Public Order and Safety	3204.98	1.35	3609.77	1.41
4	Industry and Economic Services	7499.15	3.17	6982.14	2.73
5	Agriculture	7665.37	3.24	10143.57	3.96
6	Power and Energy	49408.89	20.87	44388.77	17.34
7	Transport and Communication	64926.81	27.42	72269.45	28.23
8	Local Government and Rural Development	14299.89	6.04	16465.02	6.43
9	Environment, Climate Change and Water Resources	8526.23	3.60	9859.25	3.85
10	Housing and Community Facilities	25351.53	10.71	26086.62	10.19
11	Health	17311.82	7.31	19277.87	7.53
12	Religion, culture and Recreation	2218.93	0.94	2376.91	0.93
13	Education	23177.96	9.79	29081.38	11.36
14	Science and Technology	3676.87	1.55	4233.74	1.65
15	Social Safety	1646.30	0.70	2569.73	1.00
	Sub-total	232939.30	98.37	251634.27	98.29
	Development support (Total)	3853.79	1.63	4369.00	1.71
	Total	236793.09	100.00	256003.27	100.00

Source: Programming Division, Note: Including self-finance project

Domestic Resources for ADP

Domestic resources contribution towards financing of ADP shows ups and downs trend during FY 2015-16 to FY 2022-23. The average contribution of domestic resources towards ADP stood at around 65 percent to 70 percent. Contribution of domestic resources increasing in ADP is an indicator of positive progress. The contribution of domestic resources to ADP was 67.96 percent in FY 2015-16. It increased in next fiscal years but decreased to 64.92 percent in FY

2017-18. Again the percentage of domestic resources started to increase and stood at 69.46 percent in FY 2018-19 and 67.86 percent in FY 2019-20. However, in FY 2020-21 the share of domestic resources decreased to 59.36 percent due to receive of special support/credit for development, but it increased to 64.51 percent in FY 2021-22. In the current FY 2022-23, the amount of domestic resources in ADP decreases. Table 4.7 shows the financing of revised ADP from domestic sources during last few years.

Table 4.7: Domestic Resources in Financing ADP

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Total ADP	91000	110700	148381	167000	192921	197643	207550	227566
Total Domestic Resource	61840	77700	96331	113900	130920	134643	133886	129772
Domestic Resource as % of ADP	67.96	70.19	64.92	69.46	67.86	59.36	64.51	57.02

Source: Finance Division, Ministry of Finance. Data: According to RADP.

Budget Balance and Financing

To keep the budget deficit to a sustainable level there is a clear guideline in 'Public Money and Budget Management Act 2009'. Therefore, government is conscious to keep the budget deficit within 5 percent of GDP. But in revised

budget of FY 2019-20, due to COVID-19 pandemic budget deficit crossed 5 percent of GDP. Table 4.8 shows the data of overall budget balance and financing of last few years. In addition, Table 4.9 shows the actual budget deficit based on iBAS++ data system.

Table 4.8: Overall Budget Balance and Financing

(As % of GDP)

Budget balance/ financing	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Overall budget balance (excluding foreign grants)	-5.03	-4.99	-4.98	-4.95	-5.60	-6.09	5.12	5.10
Overall budget balance (including foreign grants)	-4.74	-4.76	-4.78	-4.80	-5.48	-6.23	5.06	5.00
Net domestic financing	3.59	3.54	2.93	3.10	3.55	3.82	3.12	3.14
Net foreign financing (excluding grants)	1.15	1.22	1.85	1.71	1.92	2.27	1.98	1.87
Net foreign financing (including grants)	1.44	1.46	2.05	1.86	2.05	2.40	2.00	1.94

Source: Finance Division,

Note: Figures are based on Revised Budget. GDP up to FY 2020-21: Base year: 2005-06, GDP FY 2021-22, FY 2022-23: Base year 2015-16.

Table 4.9: Actual Budget Deficit

(As % of GDP)

FY	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23*
Budget Deficit (Excluding grants)	4.0	4.7	4.7	4.0	4.6	5.1

Source: iBAS ++, Finance Division, * Target**Budget Deficit Financing (Domestic)**

In FY 2021-22, total government domestic borrowing (net) stood at Tk. 95,583.2 crore which was 2.4 percent of the GDP. During this period, the government borrowed Tk. 68,652.3 crore from banking system and government borrowing from other than banks (including

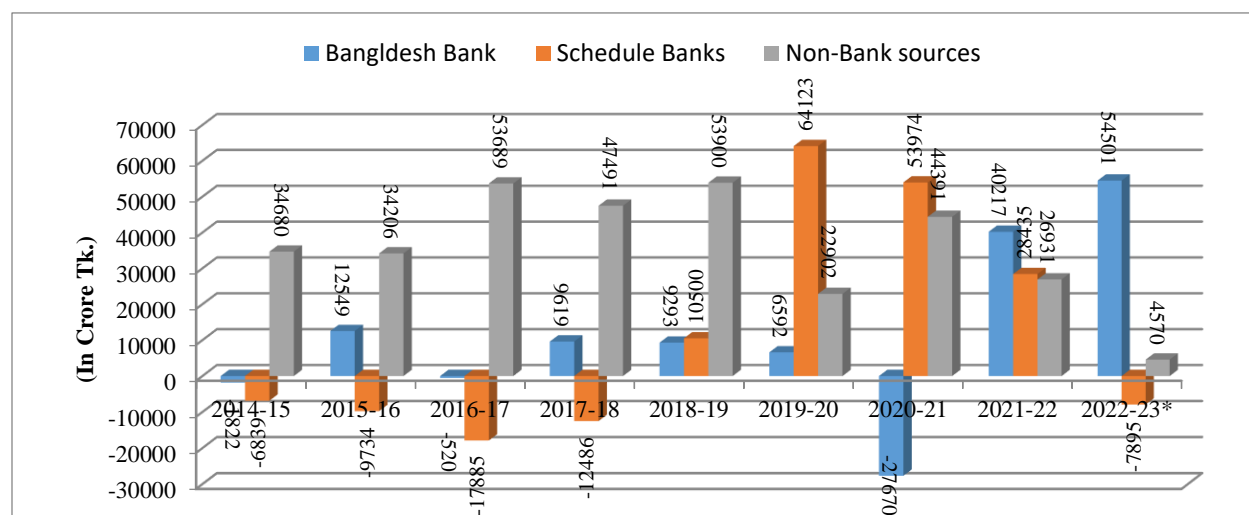
scheme of national savings certificate) was Tk. 26,931 crore. In FY 2022-23 (up to February, 2023) total government domestic borrowing (net) has stood at Tk. 51,176.6 crore. Sector-wise government domestic borrowing from FY 2015-16 to FY 2022-23 (up to February, 2023) is shown in Table 4.10 and figure 4.3.

Table 4.10: Government Borrowing (net) from Domestic Sources

(In crore Tk.)

Fiscal Year	Net Government borrowing from the banking system			Government borrowing from other than banks	Total government borrowing	Percent of GDP
	Bangladesh Bank	Scheduled Banks	Total borrowing from banking system			
2015-16	12548.7	-9733.9	2814.8	34206.0	37020.8	1.8
2016-17	-520.2	-17884.8	-18405.0	53689.2	35284.2	1.5
2017-18	9619.3	-12485.7	-2866.4	47490.7	44624.3	1.7
2018-19	9293.0	10499.5	19792.5	53900.2	73692.7	2.5
2019-20	6592.1	64122.8	70714.9	22902.2	93617.1	3.0
2020-21	-27669.7	53973.7	26304.1	44390.6	70694.7	2.0
2021-22	40217.3	28435.0	68652.3	26931.0	95583.2	2.4
2022-23*	54501.2	-7894.6	46606.6	4570.0	51176.6	-

Source: Bangladesh Bank, * Up to February, 2023

Figure 4.3: Government Borrowing (net) from Domestic Sources

Source: Bangladesh Bank, * Up to February, 2023

Government Borrowing from External Sources

In last FY 2021-22, the total amount of external assistance was US\$ 10,969.29 million, which was 37.9 percent more than the previous year. On the other hand, total debt servicing expenditure of FY 2021-22 was US\$ 2,017.96 million of whom interest and principal amount were US\$ 491.25 million and US\$ 1,526.71 million respectively. As a result, net external assistance flow in FY 2021-22 stood at US\$ 8,155.28 million.

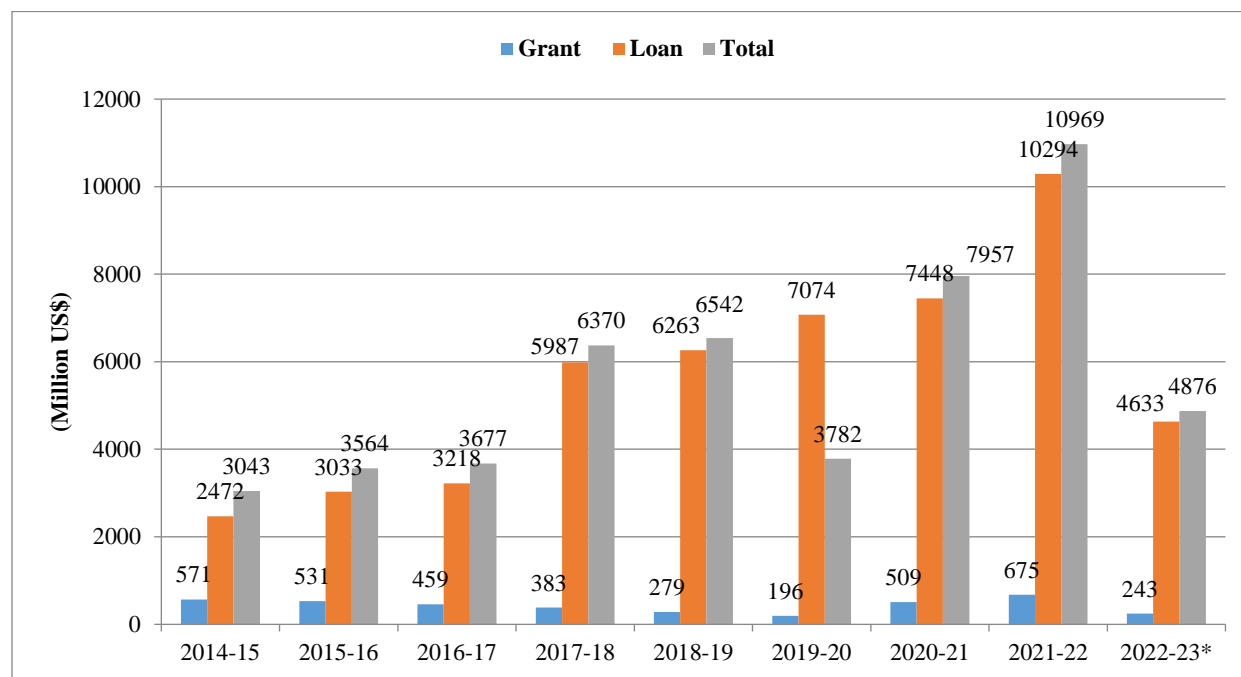
Up to February, 2023 of FY 2022-23, the amount of external assistance stood at US\$ 4,876.52 million and net external assistance flow in FY 2022-23 stood at US\$ 3,452.42 million. On the other hand, up to February, 2023, total debt servicing expenditure was US\$ 1,424.10 million, where interest payments and principal were US\$ 402.96 and US\$ 1,021.14 million respectively. Table 4.11 and Figure 4.4 show the government borrowing from the external sector during FY 2015-16 to FY 2022-23 (up to February, 2023) below:

Table 4.11: Government Borrowing from External Resources

(Million US\$)

Fiscal Year	External Loan and Grant			Principal and Interest Payment			Net Foreign Aid Flow	
	Grant	Loan	Total	Interest	Principal	Total	After Principal Payment	After Principal and Interest Payment
2015-16	531	3033	3564	202	849	1051	2715	2513
2016-17	459	3218	3677	229	894	1123	2783	2554
2017-18	382	5987	6369	299	1110	1409	5259	4960
2018-19	279	6263	6542	391	1202	1593	5340	4949
2019-20	296	7074	7382	477	1257	1734	6125	5648
2020-21	509	7448	7957	496	1419	1915	6538	6042
2021-22	674.77	10294.52	10969.29	491.25	1526.71	2017.96	8646.53	8155.28
2022-23*	243.29	4633.23	4876.52	402.96	1021.14	1424.10	3855.38	3452.42

Source: ERD, * Up to February 2023

Figure 4.4: Flow of External Resources

Source: ERD, * Up to February 2023

Information regarding commitment and disbursement of external assistance, external debt service, external debt outstanding and country and sector wise external assistance are given in

Appendix 57-Appendix 61. The external debt outstanding stood at US\$ 59,213.81 million at the end of February 2023 which is 13.4 percent of GDP indicating comfortable position in terms of debt sustainability.

Annexure 4.1:

Significant changes regarding import-export duty-tax brought in the budget of FY 2022-23

Custom duty related issues

- It is proposed to keep the existing duty rates unchanged on essential commodities, fertilizers, seeds, life-saving medicines and some other industrial raw materials.
- Concessional facilities have been provided on import of raw materials for domestic poultry industry and beef feed.
- With the aim of sustainable development and development of the fisheries, poultry and dairy sector, it is proposed to continue the zero duty rate and other concessionary rates given in the past on the import of food items and various materials of the said sector. Besides, it has been proposed to extend the concessional facility in respect of some new materials.
- It is proposed to extend the concessional facility on certain raw materials used in the manufacture of agricultural machinery and pesticides used in agriculture.
- It is proposed to allow subsidized import of cold storage freezers and chillers used in agriculture and food industry.
- To consolidate the health sector, it is proposed to continue the existing subsidized facility on the import of raw materials required for the production of medicines and medical supplies. It is also proposed to reduce the customs duty applicable on certain products used by hearing impaired and physically challenged persons.
- To save foreign exchange, discourage imports, control luxury goods and restructure the post-Covid economy, it has been recommended to increase total duty by imposing supplementary duty on high performance luxury vehicles and jeeps and chandeliers and light fittings at the import level.
- It has been proposed to withdraw and rationalize the existing minimum price of certain products with a view to collection of proper revenue and facilitation of trade by determining the correct price of imported products.

Value Added Tax (VAT) related issues

Activities related to financial reform and good governance:

- National Board of Revenue is working in an automated and transparent environment, on the basis of VAT and SD act, 2012;
- VAT registration is fully online based. Apart from that online return submission and e-payment have been introduced successfully;
- Installation of Electronic Fiscal Device (EFD)/Sales Data Controller (SDC) is going on to increase revenue collection at retail level;
- The VAT amount of 5 million taka in single *challan* has to be deposited through e-payment/*A-Challan*;

- It is mandatory for the companies having turnover more than 05 (five) crore to set software based automated system for record keeping.

Development of indigenous industries and in other fields

- Exemption has been given to manufacture air conditioners, refrigerators, active pharmaceutical ingredients, mobile phones, computer materials, polypropylene staple fiber, home appliances (washing machines, rice cookers, blenders, ovens, etc.), sanitary napkins and diapers. Domestic industries have been flourishing because of the policy measure undertaken.
- Exemption has been given to manufacture of lifts, motor vehicles which is conducive to develop heavy industry in the country.
- Exemption on different services given on some priority sectors like Rooppur Nuclear Power Plant, BEZA, Hi-Tech Park, PPP etc.
- In order to incentivize the agriculture sector, exemption has been given at the manufacturing and trading level of agricultural machinery, namely: power tiller and poultry, dairy and fish feed products;

Development and dissemination of information technology

- To develop information technology sector, exemption has been given to supply mobile phones, computers, keyboards, mice, speakers, modems, software, routers, printed circuit boards, servers, printers, etc.

Activities undertaken in the health sector

- To discourage the use of tobacco and tobacco products taxes and prices of tobacco products are revised.
- VAT exemption has been given on different types of services, like: Medical and health service, autism related service etc.

Taxes on tobacco related products

• Cigarette

Earlier Price (for 10 sticks) in Tk. (2021-222)	Earlier Total Tax Incidence (2021-22)	Present Price (for 10 sticks) in Tk. (2022-23)	Present Total Tax Incidence (2022-23)
39 and above	57%	40 and above	57%
63 and above	65%	65 and above	65%
102 and above	65%	111 and above	65%
135 and above	65%	142 and above	65%

Significant changes in the tax regime during FY 2022-23

- **Reduction in corporate tax rate**
 - For publicly traded companies with more than 10% of their paid-up capital transferred through IPO (Initial Public Offering), the tax rate has been reduced from 22.5% to 20%.
 - For publicly traded companies with 10% or less of their paid-up capital transferred through IPO (Initial Public Offering), the tax rate has been set at 22.5%.
 - For non-publicly traded companies, the tax rate has been reduced from 30% to 27.5%.

- **Personal income tax rate**

Current Tax Slab	Current Tax Rate
Up to 300,000 BDT	0%
Next 100,000 BDT	5%
Next 300,000 BDT	10%
Next 400,000 BDT	15%
Next 500,000 BDT	20%
Remaining amount	25%

- **Increase of tax-free threshold limit and employment-based tax rebates for third-gender taxpayers**

If a taxpayer, as an employer, hires at least 10% or more than 25 employees of third-gender in their establishment, they will be eligible for a tax rebate in the following manner:

- 5% (five percent) of the payable tax or
- 75% (seventy-five percent) of the total paid salary to the third-gender employees- the lesser amount of the above two will be applicable as a tax rebate.

- **Rationalisation of surcharge on assets**

- Existing 7 slabs have been reduced to 5.
- Provision of payment of surcharge on assets in case of no income has been canceled.
- Minimum surcharge has been abolished.

- **Reduction in source tax rates at the import level**

- The source tax rate on gold imports has been reduced from 5% to 0%.
- The source tax rate on raw materials imported by CI sheet manufacturers has been reduced from 5% to 3%.
- The source tax rate on wheel chair imports has been reduced from 5% to 0%.

- **Tax-net expansion**

- To encourage new taxpayers to file returns and pay taxes, through the change of the definition of the Tax Day, the provision has been made for individual taxpayers who have never filed return before to submit income tax returns within thirtieth day of June following the end of the income year without any penalty.
- If any contractor or supplier fails to submit proof of submission of return, a provision has been made to deduct tax from their payments at source at a rate 50% higher.
- In the provision related to the tax deducted at source on bank interest income, in place of the TIN certificate, furnishing proof of submission of return in the banks is required.
- Hotels, community centers, resorts, and transport agencies with an annual turnover exceeding one crore have been made 'specified person' responsible for deducting tax at source.

- To expand the scope of tax deduction at source, the collection of tax in the form of advance payment have been initiated for income derived from the operation of internal ships and commercial vehicles keeping the tax rates same according to the SRO.
- All taxpayers who are required to furnish proof of submission of return are now obligated to file returns.
- The provision of presenting proof of submission of return has been introduced in all cases where previously presenting TIN was mandatory, as well as in several other areas.
- At business premises, the provision of displaying the proof of submission of return instead of the TIN has been introduced. The e-commerce platform has been identified as a source tax deducting authority.
- **Digital Transformation and Expansion of Tax Free Sector**
 - To develop an innovative economy and promote young entrepreneurs, the following provisions have been made for startups
 - Defining a startup
 - Approving loss set off and carry forward for up to nine years in determining startup income
 - Reducing the minimum tax rate from 0.6% to 0.1%
- **Assisting the Export Sector and Promoting ‘Made in Bangladesh’**
 - To clarify ambiguities related to exports and to diversify the export sector, services have been incorporated into the definition of export.
 - When foreign currency earnings from Bangladeshi flag carrier ocean going ship are brought into Bangladesh through banking channels, it is tax-free until June 30, 2030. This will increase foreign currency reserves and promote export diversification. Fruit processing, vegetable processing, production of dairy and dairy products, baby food producing entrepreneurs and entrepreneurs producing agricultural machinery have been given tax exemption for a period of ten years.
 - Tax rates on income earned from exports have been set as follows:
 - a) 50% tax-free on income earned by assessee being an individual, firm, and Hindu undivided family;
 - b) 12% tax on income earned by taxpayers, other than assessee being an individual, firm, and Hindu undivided family;
 - c) 10% tax on income earned from exports of products produced in Leadership in Energy and Environmental Design (LEED) certified factories by taxpayers, other than assessee being an individual, firm, and Hindu undivided family.
- **National Skills Development and Incentives in Employment**
 - Tax exemption has been given for a period of ten years to an organisation engaged in imparting professional training on various technical subjects to create skilled human resources suitable for industrialization.
- **Incentives for Entrepreneurship in IT Hardware Sector**
 - Computer hardware manufacturers have been given tax exemption for a period of ten years as an incentive for self-sufficiency in the IT sector by overcoming import dependence of Bangladesh.

- **Ensuring affordable and decentralized medical care**
 - In order to make quality medical care accessible to every person in Bangladesh, tax exemption has been given for ten years on condition of construction of general hospital with at least 250 beds or specialized hospital with 200 beds established outside Dhaka, *Narayanganj*, *Gazipur* and *Chattogram* districts.
- **Collection of Microcredit and Incentives for Women Entrepreneurs**
 - If the annual turnover of any organisation in the SME sector owned by a woman entrepreneur is up to Tk. 70 lakhs, the income of that organization has been exempted from tax.
 - In order to ensure easy access to micro-credit, income from micro-credit of organizations registered with NGO Affairs Bureau as well as Micro Credit Regulatory Authority has been exempted from tax.
- **Assistance in raising long term capital and creating bond market**
 - Exemption from tax applicable in case of transfer of property to trust or SPV and re-transfer of property from trust or SPV to the parent institution for market creation and easy circulation of Sukuk bonds for raising long term capital.
- **Formalisation of the economy**
 - In case of failure to receive service bills through bank transfer, a provision has been made to deduct tax at source at a rate 50% higher.
 - Except for agriculture and farming sector, all taxpayers excluding assessee being an individual, with a turnover of over BDT 10 million in sectors, are made ineligible for tax exemption or reduced tax rates if the income is not realized through bank transfer.
- **Sustaining long-term economic stability**
 - To reduce the propensity of bad loans, income generated from suspended loans has been made non-taxable for only assessee being an individual, instead of all types of taxpayers.
 - Due to the provisions of loss set off and carry forward, a rate of 5% of the special reserve amount of the total income constituted by financial institutions has been counted as non-allowable expense.
 - Like other private securities, capital gain from investments in government securities have been made taxable due to their profitability.
 - As the definition of a company under the Income Tax Ordinance is broader compared to the definition in the Company Act, with the aim of including more institutions under the obligation to furnish audited accounts, provision has been made for the companies defined by the Income Tax Ordinance, 1984 instead of the incorporated companies under the Company Act 1994 to furnish the financial statements certified by a chartered accountant.

- **Ensuring business simplification**

- Provisions have been made to ensure that the conditions of amalgamation are consistent with the Company Act 1994, and if the amalgamating companies are foreign, their shareholding will be the same as of the domestic company.
- The definition of ‘Charitable purposes’ has been made more specific to prevent misuse.
- The definition of ‘Research and development’ has been provided, and expenses incurred in this area have been counted as allowable deductions.
- The definition of ‘Supply of goods’ has been included to clarify the obscurity of the withholding tax.
- Due to the current shortage of skilled workforce in the industry, the allowable expense limit for perquisites has been increased from Tk. 550,000 to Tk. 1,000,000.
- As part of the best international practices, tax-neutral merger policy has been adopted in Bangladesh, which will benefit the overall economy.
- MPO-enlisted schools, excluding those schools that have an English version curriculum, public university, recognized provident funds, pension funds, approved gratuity funds, approved superannuation funds, workers' profit participation funds, and non-resident individuals having no fixed base in Bangladesh have been exempted from filing income tax returns.
- Provisions have been made to make the ADR effective within 30 days of the receipt of its agreement.
- A provision been made to enact a set of rules for the purpose of collecting tax through offshore indirect transfers.
- A provision has been made to amortize pre-commencement expenditure by including the definition of it.

Annexure 4.2
Stimulus Package to address COVID-19 and Economic Recovery

Serial No	Name of the Package	Amount (Crore Taka)
1	Special Fund for Salary support to export oriented manufacturing industry workers	5000
2	Working Capital loans for the affected industries and service sector	103000
3	Working Capital loans for the SMEs including the cottage industries	60000
4	Expansion of facility provided through Export Development Fund (EDF) by Bangladesh Bank (US\$ 2.0 billion)	17000
5	Pre-Shipment Credit Refinance Scheme	5000
6	Special Honorarium for doctors, nurses, medical workers	138
7	Health Insurance and life insurance	750
8	Free Food Distribution	2500
9	OMS of rice at 10 taka/kg	770
10	Cash Transfer for the targeted poor people (Tk. 2,500 per person for 3.5 million + 4.86 lakh fisheries and livestock farmers)	1326
11	Expansion of Cash Allowance Programs to 112 <i>Upazillas</i>	815
12	Construction of home for homeless people	2130
13	Support for farm mechanization	3220
14	Subsidy for agriculture	9500
15	Agriculture Refinance Scheme	8000
16	Refinance scheme for professional farmer and small traders	3000
17	Employment creation through four State owned financial institutions (PKSF-500, Probashi-500, Karmasangsthan-1,200, <i>Palli Sanchay</i> -500. <i>Ansar VDP</i> -500)	3200
18	Subsidy for commercial bank's suspended interest of April-May, 2020	2000
19	Credit Risk Sharing Scheme for SME Sector	2000
20	Safety net program for Export Oriented Industry's distressed workers	1500
21	Revitalizing the rural economy and job creation in rural area (<i>Joyeeta</i> F: 50; NGO F: 50; SDF: 300; SME F: 300; RPE F:300; BSCIC: 100; SFD F: 100; BRDB: 300)	1500
22	Expansion of Cash Allowance Programs to another 150 <i>Upazillas</i>	1200
23	2nd Tranche Cash transfer to 3.5 million poor people of taka 2500 per person + 1,00,000 <i>Boro</i> farmers affected by cyclone	930
24	Cash Transfer to the targeted poor people (Tk. 2,500 per person). Total beneficiary: 17,24,470 persons	450
25	Special OMS at the city area (Rice: 20,000 MT and Flour: 14,000 MT)	150
26	Fund for Deputy Commissioners to proved food support to the vulnerable people reached through 333 phone number	100
27	Employment creation through three State owned financial institutions - 2nd phase (PKSF-500, <i>Karmasangsthan</i> Bank-500 and <i>Palli Sanchay</i> Bank-500 crore)	1500
28	Working Capital credit facility at 4% interest to pay wages for the employees of hotel/motel/theme parks	1000
	Total (In Crore Taka)	237679
	Total (In Million US\$)	26900
	As % of GDP	5.98

Source: Finance Division

Annexure 4.3
Budget at a Glance (with Actual)

(In crore Tk.)

Description	Revised 2022-23	Budget 2022-23	Actual 2021-22
Revenue and Foreign Grants			
Revenues	433000	433003	334641
Tax Revenue	388002	388002	299585
NBR-Tax Revenue	370000	370000	292880
Non-NBR Tax Revenue	18000	17999	6704
Non-Tax Revenue	45000	45004	34056
Foreign Grants	3263	3271	2322
Total:	436263	436274	336963
Expenditure			
Operating Expenditure	414504	411406	325674
Recurrent Expenditure	390358	373242	307718
of which			
Domestic Interest	80691	73175	73218
Foreign Interest	9322	7200	4554
Capital Expenditure	24146	38164	17956
Net Outlay for Food Account Operation	1097	540	2437
Loans and Advances (Net)	3499	6501	-5104
Development Expenditure	241407	259617	195173
Scheme	3732	3155	2872
Non-ADP Special Project	7236	7721	4451
Annual Development Programme (ADP)	227566	246066	186060
Non-ADP FFW and Transfer	2873	2675	1790
Total Expenditure:	660507	678064	518180
Overall Deficit (including Grants)	-224244	-241790	-181217
(In percent of GDP)	-5.0	-5.4	-4.6
Overall Deficit (Excluding Grants)	-227507	245061	-183539
(In percent of GDP)	-5.1	-5.5	-4.6
Financing			
Foreign Borrowing-Net	83619	95458	65021
Foreign Borrowing	101769	112458	78323
Foreign Debt Repayment	-18150	-17000	-13302
Domestic Borrowing	140625	146335	115209
Borrowing from Banking System (Net)	115624	106334	75533
Long-Term Debt (Net)	74000	68192	49051
Short-Term Debt (Net)	41624	38142	26482
Non-Bank Borrowing (Net)	25001	40001	39677
National Saving Schemes (Net)	20000	35000	20265
Others (Net)	5001	5001	19412
Total Financing:	224244	241793	180231
Memorandum Item: GDP	4474100	4449959	3971716

Source: iBAS ++, Finance Division

* Provisional, ** Estimated Nominal GDP