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Fiscal Measures for Tackling the Economic Fallout in Bangladesh: An Assessment of Stimulus Measures during the COVID-19 Pandemic Era

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Abstract

The steady average GDP growth of Bangladesh, exceeding 7% for consecutive four years, has been affected significantly during the nightmare of the COVID-19 Pandemic era, a once-in-a-century-crisis. The impact of COVID-19 pandemic has not only caused the loss of people's life but also been largely disruptive in terms of economic activities. The government has taken several fiscal measures including rolling out several stimulus packages, changes in monetary and macro-prudential changes, direct tax policy changes through national budgets to mitigate the adverse effects induced by the enduring pandemic crisis, thereby providing a protective shield against this challenging period. In view of the scale of disruption caused by the pandemic, an attempt is made to analyze the fiscal measures, including the direct tax policy changes, introduced through the consecutive two annual budgets of 2020 and 2021.

Keywords: COVID-19, Stimulus Package, Budget, Direct Tax, Fiscal Measure

1. Introduction

1.1. Background

Bangladesh economy has witnessed a 7.39% steady average GDP growth rate in the recent lustrum (2014-15 FY to 2018-19 FY), before the outbreak of the COVID 19 pandemic. During this lustrum, even the annual GDP growth rate has achieved an economic landmark reaching to its peak 8.15% in the FY 2018-19 (MoF, 2021). Moreover, considering the decade data (2009 – 2018), Bangladesh achieved a 6.6% average GDP growth rate which is significantly higher than the developing economy's average GDP growth of 5.1%. Per capita income and the country budget size has been increased by 131% and 422% respectively during the same period (MoF, 2019). According to the Spectator Index -2019, Bangladesh has topped in the world in achieving economic growth in the recent decade (2009-2019) based on current price method with achieving 188% growth followed by Ethiopia (180%), China (177%) and (India 117%) (Star Business Report, 2019). This remarkable, steady, and sustained growth trend has outpaced its neighboring countries in many indices of economic or human development. Since its inception in Wuhan, China at the end of December 2019, the sudden outrage of the COVID-19 pandemic has caused a stumble in this trend of its commendable progress in Bangladesh. Irrespective of the strengths of the economy, most of the countries of the world is going through a deep recession, as predicted by the World Bank (2020). Eventually, the world has already started witnessing the swiftest and sharpest plunging adjustments in its growth predictions since the 1990s (Siddiquee & Faruk, 2020).

1.2. Objective of The Study

The broad objective of the study has been set to assess the fiscal measures for tackling the economic fallout induced by the COVID-19 pandemic in Bangladesh with an emphasis on stimulus measures and budgetary direct tax policy changes in this regard. Specifically, this study aims to:

a) Analyze the status of the COVID 19 outbreak in the world and Bangladesh
b) Evaluate the Bangladesh Government's fiscal policy response to the COVID-19 Pandemic

c) Analyze the budgetary changes in the direct tax policy taken in response to COVIT-19 Pandemic through the annual budgets
d) To suggest relevant policy recommendations for COVID-19 Pandemic affected Bangladesh economy.

1.3. Methodology

The study is descriptive in nature, aimed to assess the fiscal measures for tackling the economic fallout induced by the COVID-19 pandemic in Bangladesh. The study is based on various reports and data published by the Ministry of Finance (MoF), Government of the People's Republic of Bangladesh (GoB); Bangladesh Bank (BB); Bangladesh Bureau of Statistics (BBS); National Board of Revenue (NBR); International Monetary Fund (IMF), Asian Development Bank (ADB); and the World Bank (WB). Data on the impact of COVID-19 outbreak have been collected from Worldometer, websites, books, journals, reports, and several periodicals from the secondary sources. Any other source used has been cited appropriately wherever relevant.

1.4. Rationale

Before the outbreak of COVID-19 pandemic, Bangladesh has witnessed an impressive story of progress with its resilient and steady GDP growth of more than 6% for the most recent pre-COVID nine years (FY 2010-11 to 2018-19, of which last three years it was more than 7 percent growth rate leading to a maximum 8.15% in the FY 2018-19). Unlike the whole world, the COVID-19 pandemic also impacted the rising Bangladesh economy profoundly in addition to the tragic loss of human life. Because of the lockdown and travel restrictions in different parts of the world, the world supply chain has been interrupted significantly. It has resulted an ultimate global economic meltdown with shrinking consumer economy. The export proceeds have been affected by RMG export order cancellations and due to excessive reliance on RMG export remittance, Bangladesh economy has faced a severe impact on almost all the sectors (Amit, 2020; Rabbi, 2020) Such situation has compelled the governments across the world to undertake prompt and comprehensive fiscal and monetary reform measures to curtail the pandemic's fragile and uneven economic consequences. As COVID-19 is a most recent phenomenon, to the best of the researcher's knowledge, not much study has been done so far in this regard. This paper has examined the fiscal measures taken in Bangladesh during the COVID-19 pandemic era to tackle it's impact through the stimulus measures and the direct tax policy changes. With the above background in mind, it is expected that this study will be able to link the relevant research gaps identified and marks some noteworthy contributions both theoretically and practically.

2. Literature review

2.1. A Synopsis of COVID 19 Outbreak in the World

On 31 December 2019, World Health Organization (WHO) was formally notified about cases of pneumonia of unknown cause in Wuhan City, China. After the investigation by the Chinese authorities, a novel coronavirus was identified as the cause on 7 January 2020. Initially, the virus was temporarily named as "2019-nCoV" as it was a new strain that has not been identified anywhere in the world in human body earlier. The new virus was subsequently named as "COVID-19". On 30 January 2020, WHO declared the COVID-19 outbreak as a Public Health Emergency of International Concern (PHEIC), WHO's highest level of alarm. By the first ten days of March 2020, more than 118000 cases had been reported in 114 countries with 4291 deaths. Due to the rapid increase in the number of cases outside China, on 11 March 2020, WHO announced that the outbreak could be characterized as a pandemic (WHO, 2021). According to the Worldometer (2021) data, as on August 01, 2021, the world has witnessed total 19,88,46,340 cases with 42,38,145 deaths. Considering the COVID positive cases, the most affected five countries are: USA, India, Brazil, Russia, and France.

Because of its severity, the history of COVID 19 Pandemic is constantly being rewritten. Once affected, most of the countries tried to impose several travel and movement restrictions, isolation, and quarantining measures to control the spread that has also caused the people experiencing higher distress and order (Xiang et al., 2020). Since the inception of the COVID-19 outbreak, the global economy has been suffering from continuous economic loss causing great economic uncertainties and economic fallouts leading to recession (Altig et, al., 2020). According to a recent report of the Asian Development Bank (ADB), the COVID-19 pandemic affected world economy will significantly suffer from a projected global loss ranged from

$6.1 to $9.1 trillion compared to a regular time. Such projected loss is merely equivalent to 7.1% to 10.5% of the global GDP (Abiad, et al, 2020). Although the current crisis has affected most of the countries in the world indeed, the severity of its impact is not even. Even, sharp decline in the economy have been witnessed where relaxed imposition of the restrictions and social isolation policies were evident (Andersen et al., 2020; Aum, Lee & Shin, 2021)

According to the projections of the United Nations (UN, 2020), COVID-19 pandemic may cause a shrink in the world trade and global economy by 15% and 3.2 % respectively with a reduction of the overall global economic output by US$ 8.5 trillion over the next two years. UN also warned that the economic growth of developed countries may witness a drastic fall to -5%. According to another study of the United Nations (UN, 2021), COVID 19 pandemic has unleashed the sharpest contraction of global output since the Great Depression with a reduction in the world gross output by 4.3 percent in 2020. In 2020, output in developed, developing, and least developed countries have shrunk by 5.6 percent, 2.5 percent, and 1.3 percent respectively. By April 2021, almost 2.7 billion workers (nearly 81 percent of the total global workforce) have been affected because of several economic restrictions under full or partial lockdowns.

Table 1: Top 6 countries based on COVID-19 infected cases and deaths

Based on COVID 19 infected cases (as on 01.08.2021)			**Based on COVID 19 infected deaths (as on 01.08.2021)**		
Rank	**Country**	**No of cases**	**Rank**	**Country**	**No of deaths**
1	USA	35,745,024	1	USA	629,315
2	India	31,693,625	2	Brazil	556,437
3	Brazil	19,917,855	3	India	424,777
4	Russia	6,288,677	4	Mexico	240,906
5	France	6,127,019	5	Peru	196,353
6	UK	5,880,667	6	Russia	159,352

Source: Worldometer

To mitigate the COVID-19 Pandemic induced extraordinary crisis, the governments and central banks around the world responded with $12.7 trillion worth extraordinary massive stimulus measures which in turn helped the world prevent an even worse catastrophe (UN, 2021). Moreover, the rolling out of large stimulus packages, combined with the decreasing trend of government revenues collection, have also unleashed growing fiscal deficits worldwide. During COVID-19 affected 2020, the world has witnessed the highest increase in public debt since the World War II, with an increase by an estimated $9.9 trillion. The COVID-19 pandemic has caused an increase in the number of people facing hunger worldwide by 82 percent (World Food Programme, 2020; Oxfam International, 2020). If not successfully mitigated, COVID-19 pandemic could put a doubt in attaining the zero-hunger goal through eliminating extreme poverty by the year 2030, set by the UN, especially in the developing countries (Slotman, 2020).

2.2. An Assessment of COVID 19 Outbreak in Bangladesh

Since its inception in Wuhan, China, the first positive case of COVID-19 was identified in Bangladesh on March 8, 2020, and the first corona virus affected death was recorded on March 18, 2020 (Siddiquee & Faruk, 2020). According to the Worldometer data, as on December 31, 2021, 15,85,539 COVID-19 positive cases have been reported with 28,072 deaths. The inadequacy of health infrastructure in Bangladesh has created immense pressure to control the infection and death rates caused by the recent second wave of the COVID-19 pandemic. Moreover, due to the absence of the effective counter measures, it was not possible for the government to control the infection rate. As on December 31, 2021, the rapid increase of the infection rate has put Bangladesh in No 32 in the world (Worldometer, 2021).

2.3. A brief Review of the impact of COVID 19 Pandemic on Bangladesh Economy

The impact of COVID 19 pandemic has hit Bangladesh at a crucial period when the country has been moving towards becoming an emerging economy with remarkable progress on various economic and social indicators (Siddiquee & Faruk, 2020). As this pandemic has compelled the country to impose various restrictions in different economic activities through different scales of lockdown as a first-line emergency response, the government has been facing unprecedented difficulty to navigate the way out measures for tackling the crisis and uncertainty. In her closing comments on the budget for the FY 2021-2022, Bangladesh's Prime Minister Sheikh Hasina stated, "According to our initial estimates, the coronavirus has caused $17 billion losses to the economy in the fiscal years 2019-2020 and 2020-2021,", as reported by the Bangladesh Sangbad Sagstha (BSS, 2021). The COVID-19 pandemic has substantially affected the garment sector of Bangladesh from which the largest share of export proceeds come. In Bangladesh, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), until August 2020, this sector has lost export order worth of US $ 3.18 billion as the international buyers cancelled or suspended their orders. Such loss has ultimately affected the employment of 2.28 million garment workers. Moreover, due to the future uncertainty caused by the COVID-19 induced rapid fall in global demand for apparels, reportedly, one million workers have already lost their job (Frayer, 2020).

The disruption to the existing supply chain of the RMG sector has also affected other back ward and forward linkage industries like textile, packaging, accessories etc. Considering the overall economy, based on the available job and other economic data, Islam (2021, p. 65) estimates that "at least 13.50 million people lost their jobs or did not have any work during the lockdown-- termed as public holidays in 2020. The number is equivalent to one-fifth of the labour force at that time". According to Islam (2021), this economic turmoil has most negatively affected the daily wage earners having no social protection e.g. day workers, labours, transport workers, small traders etc. This situation is likely to impact harshly to the success of poverty alleviation in Bangladesh by leading to a hike in the poverty level (Raihan, 2020). According to a study of South Asian Network on Economic Modelling (SANEM), based on the BBS's income and expenditure survey data, if COVID-19 induced family incomes fall by 25 percent, poverty rate in Bangladesh may worsen with a rise from 20.5 percent to 40.9 percent (Ahmed, 2020). Because of the severity of the COVID – 19 pandemic, in the fiscal year 2019-20, Bangladesh has witnessed the lowest GDP growth (3.51%) in the recent years, compared to its pre-COVID highest GDP growth (8.15%) in FY 2018-19 (BBS, 2021).

3. Bangladesh Government's Fiscal Policy Response to the COVID-19 Pandemic

3.1. Fiscal and Monetary Stimulus Packages rolled out by the Government

To tackle the COVID-19 induced economic fallout and to put the economy on a path to recovery, some fiscal and monetary stimulus packages were quickly rolled out by the Bangladesh government. According to Bangladesh Bank (2021) data, the government has so far announced 23 economic stimulus packages for around Tk. 1.24 trillion that is equal to approximately 4.44 percent of the GDP to revive the economy from long-term consequences of the crisis. Based on the UN (2021) data, it is evident that although this support is greater than the average support rate by the governments in the LDCs (2.6 percent of the GDP), but significantly lower compared to the government's support in the developed countries (15.8 percent of their GDP). For granting the stimulus packages, the government has given priority to the large businesses, export-oriented industries, SMEs, agriculture sector, and social safety net programmes. Table 2 presents a broad summary of the sectoral distribution of stimulus packages rolled out by the government:

Table 2: Sector wise stimulus packages in Bangladesh

Sl	Sectors	Stimulus Package (BDT in billion)
1	Working capital loans for supporting affected industries and service sector	400
2	Working capital loans and credit risk sharing scheme for supporting affected SMES, cottage and micro industries	235
3	Refinance, subsidy, farm mechanization support for agricultural sector	177.20
4	Export Development Fund (EDF) expansion	127.50
5	Widening social safety net coverage for poor people (free food distribution, Vulnerable Group Feeding (VGF) and Open Market Sale (OMS) of food at lower price, direct cash aid to poor and retarded people, home construction subsidy etc.)	95.33

6	Refinance scheme, safety net program, and low interest loan to rural poor farmers, lower income earning professionals, jobless migrant workers, small traders, trained and unemployed youth etc.	77
7	Assistance towards salary support and funding of 2-year loans to factory owners @ 2% interest to the export-oriented industries	50
8	Pre-Shipment Credit Refinance Scheme for RMG and other export-oriented industries	50
9	Subsidy for commercial bank's suspended interest	20
10	Special honorarium and insurance of the health workers	8.50
	Total	1240.53

Source: Author's compilation based on Bangladesh Bank (2021) data

3.2. Monetary and Macro-prudential policies rolled out by the Bangladesh Bank

The government has rolled out these stimulus packages mostly in the form of liquidity support through the commercial banks. To ensure sufficient liquidity for the banks, Bangladesh Bank had also introduced expansionary monetary and macro-prudential policies (Khatun, 2021). Some of these policy measures include, but are not limited to "reduction in CRR, bank rate, repo and reverse repo rates, the introduction of term repo and extension of Advance to Deposit Ratio (ADR), and Investment to Deposit Ratio (IDR)". Bangladesh Bank has also taken some credit and interest rate measures, namely "special policy on loan rescheduling and one-time exit, transfer of interest/profit to non-interest-bearing blocked account, eased rules for late payment and interest calculation against credit card bills, and disbursing agricultural credit at 4 percent interest rate in crops and grains sector" (Bangladesh Bank, 2021).

In addition to the above fiscal and monetary measures, Bangladesh Bank undertook a bunch of supportive policy measures and interventions for the recovery of the external sector of Bangladesh. Some of these policy measures include, but are not limited to - extending the time limit for exports proceeds realization from existing 120 to 180 days (for textile upto 210 days), allowing repatriation of discounted export bills, extending the bill of entry submission time from existing 120 to 180 days, extension of the existing usance period for imports of input by industrial importers and import of life-saving drugs under supplier's/buyer's credit, allowing to release foreign exchange by banks, on account of emergency travel, foreign education and/or health grounds, withdrawing certain restrictions in the use of Export Development Fund (EDF), extending access to short term external borrowings from the parent companies by foreign-owned/controlled companies, allowing loans from local sources against external guarantees, relaxing required documentation against foreign remittances, simplification in repatriation in sale proceeds of shares, reducing the L/C margin for child food import. reducing the charges for different services by Mobile Financial Service Operators (Bkash, Rocket, Nagod etc.), extending the limits of ATM and internet banking transactions (Bangladesh Bank, 2021).

3.3. Financial Assistance by International Developing Partners

In addition to the government's effort, the international developing partners like Asian Development Bank (ADB), International Monetary Fund (IMF), World Bank (WB) have also come up with assistance. ADB has sanctioned a $600 million loan as financial assistances, in addition to its $350,000 emergency grant and a $1.3 million one-off cash support facility. On the other hand, IMF's emergency financial assistance was $732 million under the Rapid Credit Facility and the Rapid Financing Instrument. Within March 2020, the World Bank has also approved a fast-track $100 million financial assistance to enhance the efficiency of the health sector battling against the COVID-19 pandemic. Moreover, to help recovering the economy, WB approved additional $1.7 billion under 5 projects focusing reducing unemployment, improving water and sanitation services, and tackling the harsh economic impact of the pandemic (KPMG, 2020; WB, 2021).

3.4. Budgetary Changes in Direct Tax Policy through Annual Budgets

It is a challenging task for any government to prepare an optimum budget during pandemic period as the government revenue collection is also affected. Although more than 90% of the government revenue comes from tax in Bangladesh, the amount is inadequate to mobilize enough resources for the execution of government responsibilities to fulfill its economic and social objectives (Alam, 2020). Despite remarkable achievements in GDP growth and some other socio-economic indicators, the Tax-GDP ratio in Bangladesh has been increased from 3.41% (1972- 73) to 11.2% (2019-20) only, which is significantly lower among the similar economies (Bangladesh Economic Review, 2020). According to Gallagher (2005), the average Tax-GDP ratio should be 40, 25, and 18 percent for high, middle, and low-income countries respectively.

Table-3 A comparison of Budgets Breakdown during COVID-19 Pandemic period

Particulars	Budgets placed during COVID-19 Pandemic		Actual 2019-20 (Tk. in crore)
	Budget 21-22 (Tk. in crore)	Revised Budget 20-21 (Tk. in crore)	
Budget Placing Date	June 03, 2021	June 11, 2020	
Budget Speech Tagline/Theme	*Bangladesh Towards a Resilient Future Protecting Lives And Livelihoods*	*Economic Transition and Pathway to Progress*	
Revenue and Foreign Grants:			
Tax Revenues	3,46,000 (9.5% increase)	3,16,000 (42.4% increase)	2,21,982
Non-Tax Revenue	43,000 (21.0% increase)	35,532 (19.1% decrease)	43,927
Foreign Grants	3,490 (12.4% decrease)	3,985 (58.1% increase)	2,520
Total	**392,490** (10.4% increase)	**3,55,517** (32.4% increase)	**2,68,429**
Expenditure:			
Operating Expenditure	3,61,500 (11.6% increase)	3,23,688 (27.0% increase)	2,54,880
Development Expenditure	2,37,078 (14.0% increase)	2,08,025 (28.6% increase)	1,61,797
Other Expenditure	5,103 (29.8% decrease)	7,270 (108.7% increase)	3,483
Total	**603,681** (12.0% increase)	**5,38,983** (28.3% increase)	**4,20,160**
Overall Deficit (Including grants)	**(2,11,191)** (15.1% increase)	**(1,83,466)** (20.9% increase)	**(1,51,731)**
Financing:			
Foreign Borrowing - Net	97,738 (42.9% increase)	68,414 (64.4% increase)	41,610
Domestic Borrowing	1,13,453 (1.4% increase)	1,15,052 (4.5% increase)	1,10,121
Total	**2,11,191** (15.1% increase)	**1,83,466** (20.9% increase)	**1,51,731**

Source: Author's compilation based on budget documents of MoF (2020, 2021)

Despite several reform efforts, Bangladesh has been experiencing an average budget deficit of 4.55% of the country's GDP during the recent pre-COVID decade of 2009-10 to 2018-19. During the COVID-19 Pandemic affected period (FY 2019-20 & 2020-21), it has been increased to 5.5% & 6.1% respectively. Moreover, the government has estimated a higher (6.6%) budget deficit for the FY 2021-22 (Bangladesh Economic Review, 2020; MoF, 2021). Bangladesh Government has put emphasis in revenue collection keeping in mind the priorities set during the COVID-19 Pandemic. The influence of COVID-19 pandemic in Bangladesh economy is evident with frequent use of the term 'novel coronavirus' in around one-third of the pages of the budget speech by the honorable Finance Minister AHM Mustafa Kamal (Bala, 2020).

Table-4 Composition of Tax Revenue Targets in Budgets during COVID-19 Pandemic:

Major Revenue Sources	Budgets placed during COVID-19 Pandemic Period		Actual 2019-20 (Tk. in crore)
	Budget 2021-22 (Tk. in crore)	Revised Budget 2020-21 (Tk. in crore)	
Taxes on Income, Profit, and Capital Gains (Direct Tax)	1,04,952 (27.0%)	95,950 (27.3%)	75,421 (28.4%)
VAT	1,27,745 (32.8%)	1,15,217 (32.8%)	81,049 (30.5%)
Supplementary Duty	54,465 (14.0%)	48,298 (13.7%)	32,529 (12.2%)
Customs (Import & Export) Duty	37,963 (9.8%)	37,208 (10.6%)	23,798 (8.9%)
Excise Duty & Other taxes	4,875 (1.3%)	4,327 (1.2%)	3,240 (1.2%)
Sub-total: NBR Tax	**3,30,000 (84.8%)**	**3,01,000 (85.6%)**	**2,16,037 (81.2%)**
Non-NBR Tax	**16,000 (4.1%)**	**15,000 (4.3%)**	**5,944 (2.2%)**
Total Tax Revenue	**3,46,000 (88.9%)**	**3,16,000 (89.9%)**	**2,21,982 (83.5%)**
Non-Tax Revenue	**43,000 (11.1%)**	**35,532 (10.1%)**	**43,927 (16.5%)**
Total Government Revenue	**3,89,000**	**3,51,532**	**2,65,908**

Source: Author's compilation based on MoF (2021) data [Note: (%) = as a % of total govt. revenue]

Considering the size of total expenditure, the budget of 2021-22 has set the biggest ever target in Bangladesh history (Tk. 603,681 crore, compared to the prior year's revised budget target (Tk. 5,38,983 crore) with an increase of 12.0%. According to the budget, the government has a plan to acquire around 65 percent of expenditure budget through revenue and foreign grants that left with 35% overall deficit, a little higher than the earlier year (34%). For the financing of deficit, government's reliance on foreign borrowing sources has been set higher for the FY 2021-22 (46.3% of the overall deficit), compared to the FY 2020-21 (37.3%). To acquire resources, the tax revenue target for the fiscal year 2021-22 has been set by the government to Tk. 3,460.00 billion which was Tk. 3,160.00 billion in the fiscal year 2020-21 as per the revised budget, with an increase of 9.5 percent. The Pandemic period budgets have set the tax revenue targets as 90 percent of the total expected government revenue, illustrating the government's less reliance of the revenue from non-tax sources. In the FY 2019-20, collection from non-tax revenue was comparatively higher with 16.5% of the total revenue. Of the total tax, less than 30% is contributed by direct tax (i.e. income tax), reflecting the absence of an optimal tax structure in Bangladesh.

Under the circumstances of the COVID-19 Pandemic effects, some changes in the direct tax i.e. income tax policies have been made through the budgets placed during the Pandemic period. These measures include several tax incentives to the taxpayers, widened tax bases, and relevant administrative measures in this regard. The major changing aspects of the income tax policies in these budgets have been delineated below based on the provisions of the Finance Acts 2020 and 2021 (GoB, 2020; GoB, 2021):

Notable changes made through the provisions of the Finance Act 2020 are (GoB, 2020):

1. Extension of NBR's Power (i) to condone the period of pandemic in computing the time limits of different obligations; and (ii) to extend the time limits of different obligations specified in the Income Tax Ordinance, 1984.
2. The initial non-assessable income limit has been raised from Tk. 250,000 to Tk. 300,000 for resident individual assessee, non-resident Bangladeshi, firm, Hindu Undivided Family (HUF), and other artificial juridical persons. The limit has also been increased by Tk. 50,000 from the earlier limit of non-COVID assessment year for women taxpayers and taxpayers having age of 65 years or more, handicapped or disable person, and Gazetted war-wounded freedom fighters. In addition to reshuffling the income tax slabs, the highest tax rate has been reduced to 25% (earlier it was 30%) and the starting taxable slab's tax rate has been reduced to 5% (earlier it was 10%). It is evident from a study (Bhowmik & Bala, 2020) that the tax burden has been reduced significantly because of these changes.

3. Additional tax rebate of Tk. 2,000 has been offered for online return submission by new tax payers for the first-time;
4. Imposition of gross-receipts based minimum tax for an individual, a firm or a company in certain cases.
5. Tax rate of the non-listed private limited companies has been decreased by 2.5%. This move has reduced the gap between general corporate tax rate of listed and non-listed industrial companies from 10% (25% vs. 35%) to 7.5% (25% vs. 32.5%). In contrast, tax rate for bank, insurance and financial institutions approved by Government in 2013, has been increased by 2.5% (from 37.5% to 40%).
6. In addition to the existing 26 sectors, tax holiday has been offered for newly established industrial undertakings of 7 (seven) new sectors for a period of 10 years.
7. Introducing unconditional reduced tax rates (flat 10%, and fixed reduced rates for property, as the case may be) in respect of whitening black money under undisclosed investment in securities, property, cash etc. Taking this opportunity, **a** total of 11,839 people whitened record Tk. 20,500 crore black money in the FY 2020-21**,** the highest in the country's history in a single year, from which NBR has received Tk. 2,064 crore tax revenue (TBS, 2021).
8. TDS rate for dividend income earned by non-resident fund and trust reduced from 30% to 20%.
9. TDS rate has been reduced for wheeling charge for electricity transmission, export of certain items; and increased for compensation against acquisition of property,
10. The threshold limit of total income for new assessee regarding advance payment of tax has been raised to Tk. 6 lakh from Tk. 4 lakh.
11. The rates of advance tax for the owners of private motor car have been increased by 50% to 66.67%.

Notable changes made through the provisions of the Finance Act 2021 are (GoB, 2021):

1. The controversial opportunity of legalizing black money/undeclared income, as introduced in the FY 2020-21, has also been extended during the FY 2021-22 on terms harder than that of the previous fiscal year. Under new terms, the highest tax rate of 25% along with 5% penalty will be imposed for legalizing black money/undeclared income.

2. The tax rate for non-publicly listed Mobile Financial Services (MFS) and listed MFS has been set as 30% and 22.5% respectively.
3. Additional tax rebate of Tk. 2,000 for online return submission by new tax payers for the first-time has been withdrawn.
4. Maximum limit of the allowable investment has been reduced from Tk. 1.5 crore to Tk. 1 crore.
5. Reducing TDS rate from 10% to 7.5% for the remittance received as consideration for contracts on manufacturing, process or conversion, civil work, construction, engineering or works of similar nature.
6. Increasing TDS rate from 7.5% to 10% on public auction sale proceeds.
7. Reducing the rate of minimum tax from 0.50% to 0.25% for individual having gross receipts of Tk. 3 crore or more, subject to some exceptions.
8. In addition to existing 22 IT based categories, full tax exemption facility has been sanctioned upto June 30, 2024 for any income derived from six more categories, namely: Cloud service, System Integration, e-learning platform, e-book publications, Mobile application development service; and IT Freelancing.
9. Full tax exemption facility has been sanctioned for women owned SMEs with annual turnover upto Tk. 70 lakhs. Earlier the limit was Tk. 50 lakh.
10. The initial non-assessable income limit has been set Tk. 350,000 for transgender taxpayers specifically.
11. Tax rate of the listed companies and non-listed private limited companies has been decreased by 2.5% (from 25% to 22.5%; and from 32.5% to 30.0% respectively).
12. Setting 25% tax rate for one man company
13. 30% tax rate has been set for non-company Association of Persons, Artificial Judicial Persons, and other tax imposable entities.
14. Despite tremendous criticisms, 15% tax rate has been imposed on the income of private universities, private medical colleges, private dental colleges, private engineering colleges, and private colleges where only IT related courses are taught.
15. Maximum surcharge rate has been increased to 35% from existing 30% for having assets exceeding limits specified by the NBR.

4. Policy Recommendations and Conclusion

The effectiveness of the stimulus packages largely depends on planned, effective, efficient, and quality allocation and use. The desired effectiveness in the recovery of economy may significantly be distorted by poor execution, unplanned and inefficient allocation and distribution of funds, and weak accountability (Raihan, 2021). Although it will not be feasible for many governments to increase tax rates considering the COVID-19 affected socio-economic situation, relevant reform measures should be initiated and continued parallelly for increasing the tax net based on "ability to pay". How crucial the situation is for any government can be reflected in the observance of the UN (2021, p.19), "Governments clearly faced difficult trade-offs in addressing urgency on one hand and exercising due diligence on the other to prevent misallocation, mis-targeting, corruption and fraud in the use of public resources". Bangladesh's stimulus package, in proportion to GDP, is comparatively much higher than those of South Asian and Southeast Asian countries (Raihan, 2021). However, Islam (2021) finds the steps to provide economic recovery schemes in Bangladesh were not managed in an orderly manner because of several administrative limitations along with corruption. To ensure transparency and accountability in the implementation of the stimulus packages, Khatun (2021) emphasized the urgency of immediate formation of a national monitoring committee comprising skilled and knowledgeable representatives from different stakeholders of the society. As the resources are limited, stimulus packages blended with budgetary measures should be taken considering more allocation on activities protecting the livelihoods of people, development of the health infrastructure, and social safety net.

The slow pace of recovery may force the government to go for cost cutting techniques, although such measures will inevitably destabilize the speed and quality of the recovery that may lead to devastating consequences for sustainable development (UNCTAD, 2020). Despite several attempts, Bangladesh's pace of administering the COVID-19 vaccine remains bleak upto July, 2021. According to data from the Task Force on COVID-19 Vaccines, Therapeutics and Diagnostics for Developing Countries, Bangladesh's average vaccination rate was among the lowest in South Asian countries. At this vaccination rate, Bangladesh would be able to vaccinate only 19.64 percent of the population by the end of the year 2021 compared to the government's targeted 40 percent (Bangladesh's Covid vaccination, 2021).

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